Austria Sch 18	Indonesia Rp 2700	Portugal Esc 80
Bahrain Din 0.650	Italy L 1300	[illegible] ARABIA Rs 6.00
Belgium Fr 35	Japan Y350	Singapore S$ 4.10
Canada C$2.00	Jordan Fils 500	Spain Pta 115
Cyprus C£0.60	Kuwait Fils 500	Sri Lanka Rup 30
Denmark Dkr 7.25	Lebanon L£ 8.00	Sweden Skr 6.50
Egypt E£1.00	Luxembourg LFr 35	Switzerland [illegible]
Finland Fmk 6.00	Malaysia Rm 4.25	Taiwan NT$ 65
France Fr 6.00	Mexico Pes 300	Tunisia Din 0.600
Germany DM 2.20	Morocco Dh 8.00	Turkey L 210
Greece Dr 70	Netherlands Fl 2.50	U.A.E. Dh 6.50
Hong Kong HK$ 12	Norway Nkr 6.00	USA $1.50
India Rup 15	Philippines Pes 20	

FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

No. 29,655 — Friday June 21 1985 — D 8523 B

Europe: can the winners stay in front, Page 16

World news

Spanish strike hits industry

Spain's first 24-hour general strike for nine years hit industrial regions and reduced public services in many areas, but failed to bring the country to a standstill.

Pickets were involved in numerous incidents in a strike organised in protest against reductions in future pension rights, but seen as a more general campaign against 2½ years of stringent economic policies under the Socialist Government.

The Communist-led Workers' Commissions union, the main organisers of the strike, claimed that more than 3m workers were involved in the stoppage. Page 3

Minister resigns

Portugal moved closer to an early general election when Finance Minister Ernani Lopes resigned following the break up of the ruling coalition. He said he would stay in his post until the government crisis was resolved. Page 2

Airport bomb claims

Frankfurt police discounted claims of responsibility, which included one from the left-wing Red Army Faction, for Wednesday's airport bomb which killed three people and injured over 30.

Kathmandu blast

Seven people, including a member of parliament, were killed and 15 other unjured when bombs ripped through Kathmandu and three other towns. Two bombs exploded at the gate of King Birendra's palace.

Contracts probe

All 10 of the top American defence contractors are now facing Federal criminal investigations, according to representative John Dingell, chairman of the House of Representatives energy and commerce subcommittee on oversight and investigations.

Journalists freed

Sri Lanka released two UK journalists taken into custody earlier this week. Authorities said they had not sought accreditation.

Santo Domingo strike

Demonstrators burned tyres and stoned official vehicles in poor suburbs of Santo Domingo, the capital of the Dominican Republic, during a 24-hour general strike against government austerity measures.

Spy gets 20 years

Norwegian former diplomat Arne Treholt was sentenced to 20 years jail for spying over a nine-year period for the Soviet KGB secret police.

Xuan Thuy dies

Xuan Thuy, who led the North Vietnamese delegation to the Paris peace talks, has died, said a report from Hanoi.

Pensions approved

The Spanish Socialist Cabinet approved a decree which will allow the losing Republican side in the country's civil war to receive state pensions. Page 2

Police ration fuel

Most Philippine city police forces are compelled by lack of money to ration patrol cars to three litres of fuel a day, said deputy defence minister Teodulo Natividad.

Czech fans held

Thirty drunken Sparta Prague soccer frans were arrested in Czechoslavakia after they wrecked a carriage of a train taking them to an away game.

Milky Way probe

Space shuttle astronauts were set to become cosmic detectives with the launch of a probe designed to examine what may be a star-gobbling "black hole" in the centre of the Milky Way galaxy.

Business summary

Mazda interim earnings up by 39%

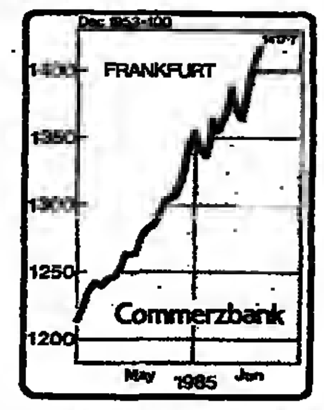
MAZDA, Japan's third largest motor manufacturer, reported a 39 per cent jump in pre-tax profits for the half-year to Y33.3bn ($13.48m) from Y23.9bn in the same period last year. Sales increased by 6 per cent to Y755bn. Page 21

TOKYO shares moved lower after profit-taking hit large-capital issues. The Nikkei-Dow market average fell 95.62 to 12,677.97. Page 38

LONDON issues were lower in uneasy trading. The FT Ordinary share index shed 8.8 to 974.5. Page 38

WALL STREET: At 3pm the Dow Jones industrial average was 5.49 lower at 1,291.89. Page 38

FRANKFURT advanced for the third consecutive day under the influence of strong foreign and domestic buying. The Commerzbank index added 12.40 to 1,417.70. Page 38



DOLLAR was firmer in London, rising to DM 3.073 (DM 3.02), FFr 9.375 (FFr 9.21), SwFr 2.5725 (SwFr 2.529) and Y248.3 (Y247.45). On Bank of England figures, the dollar's index advanced to 145.1 from 143.6. Page 31

STERLING lost 2.9 cents against the dollar in London to finish at $1.278. It also fell to DM 3.93 (DM 3.945), FFr 11.965 (FFr 12.035), SwFr 3.2825 (SwFr 3.31) and Y317.5 (Y323.0). The pound's exchange rate index fell 1.2 to 79.8. Page 31

GOLD fell $6.75 on the London bullion market to $318.50. It also fell in Zurich to close at $318.25. In New York the Comex August settlement was $318.00. Page 30

ABBEY LIFE, the British-based assurance group being floated by ITT, made a powerful stock market debut in London, with shares opening at a 55p premium to the 180p issue price before closing at 232p. Page 7; Stock market report, Page 38

ROSENTHAL, the West German porcelain company, proposes to increase its dividend from DM 7 ($2.31) to DM 7.50 per share after a rise in 1984 net earnings from DM 4.22m to DM 4.55m. Page 19

PECHINEY, the nationalised French aluminium group, has become the first French state industrial group to tap the domestic financial market with a FFr 800m ($86.5m) issue of non-voting preference shares. Page 18

ESSO, one of West Germany's biggest oil refiners, has hinted that it may have to close at least one of its remaining three refineries in the country in an effort to stem heavy losses in its oil business. Page 19

SAAB-SCANIA, the Swedish automobile and aerospace group, increased profits after financial items for the first four months ending April by 14 per cent to SKr 1.03bn ($117.3m) despite stagnant car sales. Page 19

CGE, the French nationalised electronics, telecommunications and heavy engineering conglomerate, is negotiating joint ventures with General Electric of the U.S. and Toshiba of Japan in the factory automation field. Page 19

OEMV, Austria's state-owned oil and gas group, is taking a 25 per cent share in Occidental Petroleum's production and exploration facilities in Libya. The company did not reveal financial details. Page 21

LAWSON CRITICISES BANK OF ENGLAND

Britain to strengthen bank supervision after JMB collapse

BY DAVID LASCELLES AND PETER RIDDELL IN LONDON

FAR-REACHING measures to strengthen the supervision of the UK banking system in the wake of last year's collapse of Johnson Matthey Bankers (JMB) were announced by Mr Nigel Lawson, the Chancellor of the Exchequer, in the House of Commons yesterday.

Describing the crisis, Mr Lawson made unprecedented criticisms of the Bank of England. Despite its excellent record in general in carrying out its supervisory duties Mr Lawson said, "on this occasion the Bank did not act as promptly as it should have, and to some extent fell down on the job." But he went on to express his "fullest confidence" in Mr Robin Leigh-Pemberton, the central bank's Governor.

The new measures stem from a total of 34 recommendations made by a Treasury-Bank of England committee set up last December, and will include a new banking law for which a bill will be drawn up as soon as possible.

It was announced yesterday that JMB, which is now owned by the Bank of England, and Johnson Matthey plc, its former parent, are to sue Arthur Young, its auditors, for "substantial" damages amounting to close to the £248m ($315m) JMB has now lost. The accounting firm said last night that it would put up a "vigorous defence."

The measures unveiled by Mr Lawson should correct what he called the "serious shortcomings" shown up in the system by the Johnson Matthey affair. Broadly, they will give the central bank additional powers to supervise and control banks.

The Bank's supervisory staff which, Mr Lawson said, had been slow to respond to JMB's danger signals, will also be strengthened. Mr Lawson indicated that be expected the Governor to make changes in this division. The supervisor directly responsible for JMB has been moved out of this area, and other changes were being considered.

The major reforms include the abolition of the present two-tier system of recognised banks and licensed deposit-takers created by the 1979 Banking Act. All banking institutions will in future be subject to the more rigorous regime applied to licensed deposit-takers, and the criteria for authorisation will be tigtened up.

A "regular dialogue" will also be opened up between the central bank and bank auditors to give supervisors a better picture of a bank's health. At the moment, the Bank of England is constrained by the confidentiality clause of the Banking Act, and auditors may not communicate a client's secrets to third parties. Banks will also have to set up an audit committee and appoint a finance director, which JMB did not have.

A series of other changes will limit banks' large exposures, strengthen their internal control and reporting requirements, and seek "letters of comfort" pledging the support of shareholders owning more than 15 per cent of a bank.

The proposals received a mixed welcome last night. Bankers were not enthusiastic about closer supervision or engaging their auditors in a regular dialogue with the Bank of England. One senior banker said this would "not make for a comfortable relationship," though he believed auditors and supervisors should be allowed to communicate in a crisis. Another banker was concerned about higher auditors' fees.

The accounting profession, however, applauded Mr Lawson's statement for endorsing most of the rec-

Continued on Page 18

Background, Page 14; Editorial comment, Page 16; Lex, Page 18

Ford rules out Cologne for new engine plant

BY JOHN DAVIES IN COLOGNE AND KENNETH GOODING IN LONDON

FORD has ruled out Cologne in West Germany as the production site for a major new engine project in which it is investing more than $130m.

Mr Daniel Goeudevert, chief executive of Ford of Germany, revealed the decision at the same time as announcing that his company last year sustained its first loss since 1980 – DM 298.1m ($98.7m) against a DM 150.6m profit in 1983.

His statement increased expectation that Ford will build its new family of 2-litre, twin overhead camshaft engines at Dagenham in the UK. The company insisted yesterday that a decision had not yet been made.

Mr Goeudevert refused to be drawn and would say only that the West German company would obtain the engines "from outside."

Ford previously has suggested that it might buy the engine from an outside supplier – "that might be cheaper given the excess capacity in Europe." Mr Goeudevert would not clarify his statement to establish whether his company would get the engine from another Ford subsidiary or from a source outside the group.

He insisted, however, that it would not be economically justifiable in the long term to produce the engine in Cologne.

Politicians and union officials in both West Germany and Britain have been anxious to attract the project along with the jobs involved. Unions believe the output will be about 200,000 engines a year, starting in 1987.

Ford's decision is a blow to the Cologne area, which has been pressing hard for the scheme. Executives declined to say how much financial support the state government of North Rhine-Westphalia had offered to win the engine project, arguing that the subject was "confidential."

Ford of Europe also has engine plants at Bridgend in Wales and Valencia, Spain. It would not seem logical to add another engine to Bridgend's output and Valencia, like Cologne, would need new buildings to house the production lines, whereas there is space to spare at Dagenham.

The company's reluctance to offer any hint that the engine investment might be made at Dagenham is a cause for concern among the unions there. It would help turn attention away from the cuts currently in train at the plant.

This week the company announced that wheel production was to cease by 1987, with the loss of 200 jobs, and it has also given a warning that the forge, where 180 are employed, is no longer viable and is under threat.

Results, Page 19

Bristow drops Westland bid

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT, IN LONDON

MR ALAN BRISTOW, Britain's biggest helicopter operator, yesterday abandoned his £89m ($113m) bid for Westland, the troubled UK helicopter manufacturer.

The bid, made through a specially set up company, Bristow Rotorcraft and backed by a number of British financial institutions, was allowed to lapse after receiving acceptances in respect of 57.72 per cent of the Westland shares.

Bristow Rotorcraft had said in its offer document it was seeking acceptances in respect of 90 per cent before declaring the bid unconditional.

The decision to allow the offer to lapse caused surprise in the City of London; it is normal for an offer to become conditional once acceptances for 50 per cent or more have been received.

One factor, it is understood, is that further detailed examination of the Westland financial situation in recent days showed, Bristow Rotorcraft believed, a more serious situation at Westland than originally thought, probably requiring more capital to redress.

Westland maintained last night, however, that all the relevant information had been available all along.

The company believes that it can work itself out of its current problems, which stem largely from lack of civil orders for helicopters, slow progress on major military ventures such as the Anglo-Italian EH-101 aircraft, and delays in government decisions on new helicopter ventures, such as tha AST-404 tactical transport aircraft.

The collapse of the offer sent the Westland share price, 145p a week ago, tumbling further. It closed at 90p, down 30p on the day and a low for the year. That was 80p less than the value put on the shares by the Bristow offer.

Bristow mounted its bid in May with the claim that the knowledge and experience in the helicopter business of Mr Alan Bristow and his associates could pull Westland round from what Mr Bristow described as "mounting difficulties" which threatened the company's future.

It drew bitter opposition from Westland. But efforts in the UK, U.S. and Europe to find an alternative bidder for the company failed. And only a week ago, Sir Basil Blackwell, chairman, told shareholders the board recommended acceptance.

Bristow's statement last night that it was pulling out, issued by its advisers, Kleinwort Benson, followed a day of confusion after earlier reports that the offer was about to be withdrawn.

Bristow has said yesterday morning that it was considering whether the conditions of its offer could be met.

This in turn drew a statement from Westland that it did not know what grounds Bristow had for making such a comment.

Lex, Page 18

Shia chief 'accepts offer of hostage exchange'

By Tony Walker and Nora Boustany in Beirut

THE DIPLOMATIC war of nerves over the fate of the 30 to 40 American hostages held in Beirut intensified yesterday but without offering any firm indication of an early solution.

Mr Nabih Berri, the Shia Amal leader, said he had accepted an offer for the exchange of the U.S. hostages for more than 750 Lebanese Shia detained in Israel to be carried out in Switzerland.

His statement followed a meeting with a Swiss Government representative in Beirut. It was reported from Switzerland that M Pierre Aubert, the Foreign Minister, had sent a message to Mr Berri urging the release of the hostages for "humanitarian reasons."

Mr Berri, who has accepted interim responsibility for the safety of the hostages, also met a French official and was later planning to attend a press conference with several of the passengers from the TWA aircraft hijacked last Friday.

Algeria, which played a vital role in securing the release of the U.S. hostages from Tehran, is also believed to be involved in mediation efforts.

However, Amal leaders in Beirut insisted that little substantiv eprogress could be made on the issue until Israel responded to the "noble cause" of the Shia prisoners it is holding.

Mr Yitzhak Rabin, Israel's Defence Minister, said on U.S. television that the problem was essentially American. "Let's not play games. The hostages are American. They were caught on board an airline that carries the American flag. The U.S. Government has to make up its mind what it wants to do. It is their responsibility," he said.

M Jean-Jacques Kurz, a spokesman for the International Red Cross, said there was a standing request for the repatriation of the Shia prisones who, he said, were being held in violation of international law. "The whole thing is in Israeli hands," he added.

Colonel Akef Haidar, deputy leader of Amal, said there was no question of the hostages being handed over to the International Red Cross. "We cannot guarantee their release before the U.S. accepts the hijackers' conditions. If these discussions fail, we will have to say goodbye and now there is nothing else we can do. Go talk directly to the hijackers yourselves."

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Greece appeals to U.S. tourists, Page 3; More money for sky marshalls, Page 6

Flash data project 3.1% U.S. growth

BY STEWART FLEMING IN WASHINGTON

THE U.S. ECONOMY recovered from its earlier slowdown in the second quarter of the year and grew at an annual rate of 3.1 per cent, the Commerce Department reported yesterday in its first "flash" estimate of activity during the April-June period.

On Wall Street interest rates rose and the dollar rallied vigorously on the foreign exchanges as investors reacted to the news, which may soften expectations that the Federal Reserve will soon follow up its recent easing in monetary policy with a cut in the discount rate to 7 per cent.

Falling money market rates in the past few weeks have convinced many bankers and economists that the Fed has been laying the foundation for another discount rate reduction. Although such Fed action is still not ruled out, the "flash" GNP number has created uncertainty.

"It does not preclude a discount rate cut but it does make the case a shade less compelling," said Mr Philip Braverman, economist at the New York firm of Briggs Schaedle.

The Reagan Administration, which has been concerned about the marked economic slowdown during the past year, welcomed the announcement. Mr Larry Speakes, the White House spokesman, said it showed that "GNP growth can continue at a healthy pace." And Mr Malcolm Baldridge, the Commerce Department Secretary, said the worst of the slowdown in economic growth is probably behind us."

Yesterday's Commerce Department report showed how sharp the slowdown has been. The department revised its original first quarter real GNP figure of 0.7 per cent to show the economy expanding at an annual rate of only 0.3 per cent.

The brighter picture the Commerce Department expects for the second quarter reflects a number of factors, not all of them yet assured. The "flash" estimate is based on economic data for only one or two month. Crucially, up-to-date figures for foreign trade and inventories for May and June have yet to be reported.

It has been the foreign trade sector, hit by the strong dollar, which has been a major factor behind the economic slowdown since last summer. In the first quarter domestic demand expanded at a healthy 4 per cent but a big rise in the volume of that demand, being met by foreign producers, curbed U.S. output. The trade deficit is expected to rise above last year's $123bn in 1985. The U.S. manufacturing sector has seen no increase in production since the middle of 1984.

In projecting a 3.1 per cent rise in GNP for the second quarter, the Commerce Department said that it expects personal consumption and business fixed investment to increase substantially and residential

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Money markets, Page 31; Stock market reports, Page 38

Sony plans French compact disc plant

BY JUREK MARTIN IN TOKYO

SONY, the consumer electronics concern, yesterday became the first Japanese company to announce plans to manufacture both compact disc (CD) players and 8mm video parts outside Japan.

The company said Sony France, its French subsidiary, would build a new factory for both products in Ribeauville, near Colmar in Alsace.

The new plant, which will employ about 250, is scheduled to be operational by the end of 1986. A monthly output of 10,000 CD players and 5,000 8mm video key devices is planned.

By manufacturing in France, Sony will avoid the EEC's 19 per cent tariff on imported CD players.

Sony said that the cost of the new plant could not yet be determined. A 100,000 square metre site had been acquired but neither the factory design nor whether it would be owned or leased had been decided.

Mr Haruyuki Machida of Sony said yesterday that the company's goal was to sell 1m CD players worldwide this year. He estimated that total European demand for CDs would be 500,000-600,000 a year. Sony would be aiming to secure at least a 20 per cent share of this, he said.

The Ribeauville factory will be equipped to produce the conventional deck-type CD players and the much smaller, and cheaper, versions that were first introduced by Sony into Japan last autumn and which have been available in limited quantities in Europe this year.

CONTENTS

Republican veterans in Spain win rights

By David White in Madrid

THE FRANCO era is finally over for 60,000 Spaniards. Under a decre eapproved by the Socialist cabinet, those who joined the losing Republican side in the Spanish civil war will now be entitled to pensions for their service and to official recognition as old soldiers.

It has taken almost ten years since General Franco's death for the survivors and widows who fought against his nationalist uprising to have their claims accepted.

In the wake of amnesties in the late 1970s, people who had enlisted before the outbreak of the war in 1936 were given pension rights as professional soldiers, but those who joined afterwards were excluded.

A law introduced by the Socialists last autumn laid down that all Republican veterans should be entitled not only to pensions, but also to wear medals and uniforms like other retired soldiers. The decree specifies the conditions for people who entered the Republican armed forces and security forces between July 1936 and the end of the war in April 1939.

According to Sr Joaquin Almunia, the Labour Minister, the 60,000 people affected by the new decree are 78 per cent veterans and 22 per cent dependents of people who died in the civil war or later. Sr Almunia said the measure was in recognition of their efforts "in defence of democratic legitimacy."

Applicants can qualify, however, only for the equivalent of a minimum state pension. This amounts to just Pta 27,490 (£122.7) a month for a single person, and slightly more if there is a dependent spouse.

Social security officials estimated that four in five applicants had income of less than Pta 900,000 a year—just over £4,000—and would therefore qualify for the new pensions.

The veterans will henceforth be able to carry military identification cards, wear uniforms according to their former rank, pin their decorations on their civilian clothes and use the same social services as other retired personnel.

Portugal's Finance Minister quits

BY PETER WISE IN LISBON

POTUGAL MOVED closer to an early general election yesterday as Sr Ernani Lopes, the Finance Minister, resigned following the breakup of the ruling coalition and President Antonio Ramalho Eanes consulted the Council of State on whether to dissolve Parliament.

Sr Lopes, an independent, said in a letter to Sr Mario Soares, the Prime Minister, he could not remain in office after the collapse of the Socialist-Social Democrat alliance he had agreed to serve two years ago. He would stay at his post until the Government crisis was resolved.

A former ambassador to the EEC, Sr Lopes accepted the challenge of averting o foreign debt crisis, ochieving apectacular results through a tough austerity drive he cut the balance of payments deficit from $3.2bn (£2.54bn) in December 1982 to approximately $500m at the end of last year. He also played a major role in securing Portugal's entry to the EEC in January.

He told the Prime Minister the breakup of the coalition, which he considered the most capable of meetiog the couotry's needs, had deprived him of the parliamentary support to continue his programme aimed at gradual economic recovery.

Meanwbile, the Council of State, Portugal's top advisory body, met for the second time within a week, in a sessio nspecifically convened by Gen Eanes to pronounce on the dissolution of porliameot. The views of the 16-member council, which includes the party leaders, are not biodiog on the President but the meeting is a constitutional obligation before be can call an election.

The session was held as efforts by the President and Sr Soares to avert the upheaval of a parliamentary ballot two years ahead of schedule appeared almost certain to fail. Three major parties, including the Social Democrats which quit the coalitioo, have all made it clear they will oppose any solution other than an early election.

Peter Wise examines attempts to set up a stable government

Lisbon hopes for a political truce

AFTER experimeoting unsuccessfully with every known formula for a stable government during a decade of trying to resolve crises in Portugal, President Antonio Ramalho Eanes this week appealed to political parties to thrash nut their own settlement to the upheaval caused by the breakup of the ruling coalition.

As he approaches the end of ten turbulent years in office, however, the President's final plea for a compromise that would spare Europe's poorest country the convulsion of an early general election before joining the EEC in January already seems doomed to failure.

Every successive election result since the 1974 revolution has brought increasing evidence that there is no floating vote that could cause a significant shift in the balance of power; but the parties now demanding a ballot two years ahead nf schedule appear convinced that their future lies in another reshuffle of alliances.

President Eanes' appeal in a message to Parliament on Tuesday was for the parties to reach a consensus that would ensure parliamentary support for a new government with a skeleton programme of economic reforms to replace the Socialist-led coalition that collapsed last week when the seven Social Democrat ministers quit the 16-member Cabinet.

However, the President has admitted openly there is little hope of success for his attempt at a political truce in the national interest. Three major parties, the Social Democrats, Christian Democrats and pro-Soviet Communists, have all called for an early electinn, making it clear they will not support alternative solutions.

In a move that appears to reflect his pessimism, President Eanes convened a second meeting of the Council of State yesterday specifically for consultations on whether to dissolve Parliament.

His appeal, however, echoes the position of Sr Mario Soares' Socialist Party. The Prime Minister, who is swimming against the political tide, has defended the call for an early general election only as a last resort.

Once bitter political rivals, the President and the Prime Minister now seem to share the view that dissolving Parliament a few months before scheduled presidential and local government elections would throw the country into a protracted period of divisive campaigning, and so jeopardise essential economic reforms.

The harmony between President Eanes and Sr Soares is unexpected at a time when a new political movement is being built on the popularity and stature of the President. The Democratic Renewal Party (PRD), which held its first national convention last weekend, conld gather considerable momentum if President Eanes takes over its leadership as expected when he steps down from the presidency in December.

In tbe past, Sr Soares has attacked the growth of a "Eanista" party as a Peron-style populist movement and a danger to democracy. His criticisms mellowed as the new party emerged to make considerably less impact than had been expected. Nevertheless, any political threat held by the PRD is levelled at the left-wing among Sr Soares's Socialists, where the new party bas already won support from dissidents.

President Eanes, looking for another formula.

Conservative critics have accused President Eanes of attempting to hold off a general election so as not to force the PRD into fighting a campaign before be can leod the party the key vote-catching quality of his own prestige. This may be exaggerating the potential nf a party unlikely to score significant successes even if it did not face a ballot until the scheduled parliamentary elections in 1987.

President Eanes's more plausible strategy could be to remain active in politics at the bead of a party ready to launcb his presidential re-election campaign after he has waited out the next five-year term as the constitution requires, rather than plunge into the political battlefield of coalitions and alliances as a parliamentary leader set on becoming premier.

Despite the joint bid by the President and Sr Soares tn limit the disruption of the coalition breakup, the opposition of other major parties is likely to make any alternative to dissolving Parliament and setting a date for a general election an unworkable solution.

Sr Anibal Cavaco Silva, the hardline Social Democrat leader who provoked the collapse of the coalition, has refused his support to a minority Socialist Goverument. He argues this would give the Prime Minister an illegitimate advantage in launching his expected candidacy in December's presidential elections.

The President is understandably loath to appoint a caretaker administration of his nwn initiative: an experiment that failed nn three successive ottempts after Sr Soares's short-lived coalition with the Christian Democrats collapsed in 1978. A government built on a Socialist-Communist majority is not an option for Sr Soares, whose political career is built on his defence of Portuguese democracy from control by the country's old-guard Stalinist Communist Party.

So the alternatives are down to the existing coalition, possibly with a new ministerial line-up, remaining in office in a caretaker capacity to prepare early elections and see through pressing economic reforms including parliamentary ratification of the EEC membership treaty.

The question remains: what realignment of forces could emerge from an early election to ensure a stable majnrity government given that every possible combination of the three main non-Communist parties has been tried and failed?

OECD steps up drive on pollution

By Andrew Gowers in Paris

ENVIRONMENT ministers from industrialised countries sought yesterday to give fresh political impetus to the fight against pollution on a number of fronts.

At the end of a three day meeting at the Organisation for Economic Co-operation and Development (OECD), the 24 member states declared their intention to tighten controls on the handling of hazardous industrial wastes, step up measures to combat air pollution, and improve safeguards against environmental damage in developing countries.

But they papered over continuing wide differences, particularly within the European Community, on the speed and methods with which air pollution from industrial plants, power stations and vehicles should be reduced.

Ministers called for the development of an effective system to control the movement of hazardous wastes across national frontiers, including a legally binding international agreement to be drafted by the end of 1987, and possibly to be opened for signature by countries outside the OECD.

The proposed agreement would amount to the extension of a regulation already adopted in the EEC, and due to come into effect next October. This provides for prior notification of the movement of waste across a national border. The OECD estimates that a consignment crosses frontiers every five minutes of every day.

The ministerial recommendation on air pollution expresses "deep concern" over "existing and increasing damage to the natural and man-made environment" and calls on member countries more effectively to control pollution from sulphur and nitrogen oxides, the two substances most widely blamed for acid rain destruction of European forests and Scandinavian lakes. It calls for more efficient use of energy, the use of new combustion technologies and alternative fuels, and the introduction of devices to reduce emissions.

But it deliberately avoids setting precise targets for emission reductions.

Black market booms with explosion in Soviet car ownership

BY PATRICK COCKBURN IN MOSCOW

IN THE early 1970s, just before there was an explosion in car ownership in the Soviet Union, the Soviet Ministry for the automobile industry made a serious mistake.

It assumed that the average life-span of a Soviet car would be seven years and geared its production of spare parts and repair services and the number of petrol stations accordingly.

The result of this error became apparent as the number of cars on the roads rose eight-fold between 1970 and 1984. Today it is about 11m.

As the years passed no cars were scrapped. The expense of buying a car, which costs an average of four years salary, was too great for owners to discard what they had acquired with such difficulty. At present 15 per cent of Soviet cars are more than 15 years old and another 17 per cent are between 11 and 15 years old.

State repair shops and spare part stocks were wholly inadequate to meet the needs of a private car fleet of anything like this size. The result was a spectacular growth of a black market catering for everything to do with cars.

It is now believed, according to the monthly economic magazine Eko, that some 80 per cent of all repairs are done by private mechanics. When the price of spare parts and services sold by the state went up in 1982 there was a drop in custom in the state services of 50 per cent compared to 1977.

Worse still is the lack of availability of petrol. In some rural areas there are no petrol stations at all and as a result, as the interior minister himself points out, local car owners have no choice but to go to the black market if they want to fill their petrol tanks.

Eko estimates that 40-50 per cent of petrol in Soviet cars is bought from the drivers of state-owned vehicles who syphon it off, or it is stolen from state fuel depots. Another survey showed 38 per cent of petrol was bought on the black market for less than state prices.

More petrol stations are now being built but Soviets have become used to getting petrol cheaply and it will be difficult to reduce the black market.

In any case the strain on Soviet investment resources imposed by Soviet leader Mr Gorbachev's plans to re-equip industry makes it unlikely that there will be sufficient money available to build up an infrastructure to sustain the private motorist.

Most Soviets will continue to travel by public transport which is cheap. In Moscow any distance by underground, bus or tram still costs only 5 kopecks (5p). Cars, two-thirds of which are owned by people in cities are used less for getting to work than travelling into the countryside. A survey showed that 56 per cent of car owners said their reason for buying a car was to go on holiday or away for the weekend. Only 10 per cent said they bought a car to get to work more quickly.

The typical car owner, as he emerges from studies, is white collar (59 per cent) rather than blue collar (35 per cent). He is relatively old, on average 40 to 59 years, and has spent a long time saving up for his car which in the case of a typical Zhiguli costs 8-9,000 roubles (about £7-8,000).

The main need in the Soviet Union, according to the consumer demand research centre, is for a cheap, economical car instead of expensive Zhigulis or Moscovitchs

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Mr Mikhail Gorbachev, the Soviet leader, intends to push through major changes in the Soviet Communist Party in the next six months, promoting more women and young people to important posts, Pravda indicated yesterday, Reuter reports from Moscow.

An editorial in the newspaper, official organ of the party's central committee, gave a clear warning to entrenched officials not to try to hold back the tide.

Mr Gorbachev has made no secret that he sees the reselection process ahead of next February's five-yearly national congress as an opportunity to weed out superannuated bureaucrats from jobs they have turned into sinecures.

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French Prime Minister in quarrel over election

BY DAVID HOUSEGO IN PARIS

THE QUARREL between M Laurent Fabius, the French Prime Minister, and M Lionel Jospin, secretary of the Socialist Party, over the running of the party's election campaign next year took on an added dimension yesterday when M Jospin publicly announced that he would put the issue before the party'a executive committee.

M Jospin took this extreme step after seemingly both President Mitterrand and the party's top leadership had failed to resolve the dispute. In going so far M Jospin, who succeeded M Mitterrand as head of the party, is implicitly threatening to resign if he is disowned.

The quarrel blew up unexpectedly at the weekend after M Fabius launched the Socialists' election campaign in a major speech at Marseille—parts of which angered M Jospin. Since then, the Socialist Party, which has long been exploiting the leadership conflicts on the right, has been taken aback to find that it had a major internal squall on its hands.

Behind the dispute lie substantive differences over the type of campaign the Socalists should conduct and the relations between the party and the Government.

M Fabius believes that if the left is to have any chance of obtaining a substantial block of seats in the next National Assembly it must widen its appeal to win votes from the centre.

He has spoken of a "Republican Front" and of rallying the maximum support around the consensus theme of "modernisation.

At the same time in his speech at Marseilles, M Fabius responded to the Communists' recent harsh attacks on the Government with equally blunt denunciations of their "demagogic" tactics.

M Jospin, however, has no wish to bury the Socialists' identity in an amorphous centrist grouping. He thinks also that it is mistaken for the party to attack the Communists.

The two men disagree also on the leadership of the campaign. M Fabius believes that this naturaly falls to him as the head of the Government. But in Socialist party history it has traditionally been the first secretary who has led the party into battle.

Behind these two issues lies a further conflict over the succession to the leadership of the party when President Mitterrand retires—and hence the qoestion of who will be the party's next presidential candidate.

Spanish strike partially successful

By David White in Madrid

THE FIRST 24-hour general strike to be called in Spain for nine years hit major industrial regions yesterday and reduced public services in many areas, but failed to bring the country to a standstill.

Pickets were involved in numerous rough incidents in a strike organised in protest against reductions in future pension rights, but seen more as a general campaign against two and a-half years of stringent economic policies under the Socialist Government.

The Communist-led workers' Commissions Union, main organisers of the strike, claimed that more than 3m workers were involved in the stoppage. The Government said that normality was the general rule except for the picketing incidents and that it would be false to speak of a general strike in practically any zone of the country.

The protest was backed by all the main unions, except the Socialist-led UGT, which staged its own protests earlier this month. Sr Manuel Chaves, a senior UGT figure who is also on the Socialist Party executive, said the 24-hour strike had failed overall and had not prevented transport services, banks or the civil service from functioning.

Clashes with police were reported in various towns and more than 80 people were detained, including several local Communist union leaders, but most were later released. In the industrial outskirts of Madrid, authorities called for an investigation into two incidents in which police were said to have fired live ammunition into the air. Other skirmishes took place when demonstrators forced bars to close and set tyres alight on main roads.

The Madrid industrial belt, the Basque country, Asturias and parts of Catalonia were the regions most heavily affected by the strike, which had a strong following in the mining, transport and metalworking sectors. Total stoppages principally concerned larger companies, while many shops in working-class areas shut for fear of retaliation.

Greeks appeal to U.S. over tourism

BY ANDRIANA IERODIACONOU IN ATHENS

THE GREEK National Tourist Organisation (Ntog) yesterday made an emotional appeal to U.S. holidaymakers not to heed an injunction by U.S. President Ronald Reagan to boycott Greece until security measures against terrorist attacks at Athens airport improve.

Tourist earnings, are vital to Greece's ailing current account balance, which showed a deficit of over \$2bn (£1.5bn) in 1984.

The U.S. President's call was made following the hijacking one week ago of a TWA passenger jet on the Athens-Rome run, by two armed Shi-ite Moslems who boarded the plane in Greece. Pan American flights launched in May under a new Greek-U.S. civil air agreement to serve Los Angeles and San Francisco from Athena have been temporarily suspended. TWA which operates the Athens-New York run is said to be considering following the U.S. Administration's advice.

Travel agents in Athens handling group American bookings to Greece were reporting mass cancellations yesterday though it was too early for Ntog to be able to give exact figures.

"We appeal to our U.S. customers who, unfortunately are heeding the U.S. President's exhortations to ignore them. We assure them there is no danger at Athens airport, certainly no more than in New York, Detroit or Michigan," said Mr Nikos Skoulas, Ntog director, yesterday at a Press conference in Athens addressing himself directly in English to American TV network cameras.

He said the "unacceptable defamation" campaign waged by the U.S. is likely to cause "enormous damage" to the 1985 Greek tourist trade, particularly to cruise boats which rely heavily on American customers. "We base our appeal on the fact that Americans are individualists who like to make up their own mind" Mr Skoulas said. He said cancellations will hurt also the 300,000 Greek families employed in tourism aside from travel agents and cruise boat owners.

Some 375,000 American holidaymakers were expected in Greece this year, about 100,000 more than last year. In 1984 Americans represented about 9 per cent of total arrivals, but according to Mr Skoulas tourists from the U.S. are particularly important because they show the highest per capita spending in Greece. Over half the Americans coming to Greece register for cruises.

Mr Evangelos Kouloumbis, the Greek Communications Minister, yesterday admitted to short-comings in the perimeter fencing surrounding the Athens airport terminals which he described as "uneven." He said that a Drs 70m contract for the construction of a new fence to international civil air specifications will be tendered within a few days. Work will be completed in five months. In the meantime police have been assigned to a 24 hour watch on the airport perimeter.

The minister confirmed that an IATA delegation is expected in Athens on June 26 to discuss airport security.

Irish inflation declines to 5.2%

By Brendan Keenan in Dublin

INFLATIO in the Irish Republic fell to 5.2 per cent in the 12 month to mid-May, according to figures published yesterday. This is the lowest figure since 1968 and is in sharp contrast to the 20 per cent rate recorded just three year ago, when Ireland topped the EEC inflation league.

The figures also mean that Irish inflation is now below that in the UK for the first time since 1979, when Ireland joined the European Monetary System and ended the parity relationship between the Irish punt and sterling.

Economists say that Irish membership of EMS, along with depressed economic activity, has contributed to the sharp fall in inflation.

They warn, however, that the weakening of sterling against EMS currencies, including the punt, while it helps the inflation figures, also weakens Irish competitiveness, and that manufacturing will have to continue to curb costs.

The cut in some rates of VAT in January's budget helped the figures, but a government statement said the prospects for the coming year were for the underlying rate to stay below fi per cent.

Polish Foreign Minister to have talks with Pope

BY CHRISTOPHER BOBINSKI IN WARSAW

MR STEFAN OLSZOWSKI, the Polish Foreign Minister, travels today to Italy for an official visit which will include a meeting on Saturday with the Pope.

The meeting between the Polish-born Pope and the Communist Foreign Minister will not be an easy one. It comes in the wake of a five-hour talk on Tuesday between Cardinal Jozef Glemp and Gen Wojciech Jaruzelski, Poland's leader, which by all accounts yielded little in the way of a substantial improvement in church-state relations.

Mr Olszowski is expected to sound out the Pope on a visit to the Vatican by Gen Jaruzelski on his way to the United Nations General Assembly in the autumn. Such a meeting would come before the parliamentary elections due in Poland on October 13 and the Polish military leader evidently hopes to profit from the reflected legitimacy such a meeting with the Pope would confer.

However, with complaints by both the Primate in Warsaw and, more stridently, by the Pope in Rome about human rights violations in Poland, and the Communist Party's evident aim of limiting the church's political influence, the prospects for an improvement are small.

Tuesday's meeting is said to have covered a wide range of subjects but with broad agreement on only a few. Hopes for Western church aid for agriculture have been raised, however, because Gen Jaruzelski is said to have promised to clear remaining obstacles to the scheme.

This week's church-state meetings also take place against the background of a determined sweep by the security police against Warsaw's flourishing underground publishing world.

Since last week, there have been an unspecified number of arrests; printing equipment has been impounded and editions of books ready for distribution have been seized – bringing the publishing enterprises considerable financial losses.

● The democratically elected workers' co-management council at the giant Warsaw steelworks has protested against government plans to limit university autonomy and has demanded there be no changes in laws governing the workers' self-management system.

Brussels defends pollution plan

BY QUENTIN PEEL IN BRUSSELS

THE EUROPEAN Commission yesterday presented the justification fir its controversial proposals to cut the pollution from car exhausts, in the face of vehement criticism from both the motor industry and environmentalists.

Officials in Brussels claimed that their figures would cut the moat toxic nitrogen oxide pollution from cars by more than 70 per cent and cut all emission of nitrogen oxides to a level only slightly higher than in the U.S.

If vehicle speed limits were set at the same level as in the U.S.—55 mph—then the entire pollution by nitrogeo oxide (NOx) from cars would drop 15 percent below the U.S. level, they said.

The Commission's figures for the permissible levels of toxic emissions in car exhausts have set the scene for an outright confrontation between West Germany on the one hand, and Britain, France and Italy on the other, when environment ministers meet next week.

The West German Government has caled for a reduction in NOx emissions to only 2.5 grammea per test, compared with a Commission proposal of 3.5 grammes for large cars (over two litres) and 4 grammes for cars between 1.4 and two litres. Bonn faces a powerful environmental lobby concerned to stem the destruction of German forests from so-called acid rain.

The counter argument put by Britain and representatives of the motor industry is that such standards would prevent the development of alternative types of clean-burning car engines.

A key point in yesterday's publication by the Commission ist he claimed reduction in pollution which might result from stricter speed limits.

The paper says that U.S. emisison standards have reduced car pollution by 91 per cent for carbon monoxide (CO), 88 per cent for mixtures of hydrocarbons and nitrogen oxide (HC+NOx) and 67 per cent for pure NOx.

In comparison, officials say the proposed EEC standards for medium-sized cars—the controversial category — would bring CO emission down by 80 per cent, the same for HC+NOx, and 73 per cent for pure NOx.

Crtics of the figures maintain that the U.S. statistics exaggerate the success of catalytic converters in reducing pollution. As many as 30 per cent are said to be faulty. As a result, they say, the Commission proposals would actually result in much stricter effective standards than those in the U.S.

Strauss urges Kohl to act on cereals prices

By Ivo Dawnay in Brussels

HERR Franz Josef Strauss, leader of West Germany's Christian Socialist Union, has called on Chancellor Helmut Kohl to take "immediate action" against the European Commission's efforts to cut, at least temporarily, cereals prices by 1.8 per cent despite a West German veto against such a move.

A telegram from Herr Strauss to the Chancellor insists that Brussels' "rash" decision must be met with an emphatic West German response if the political damage over the grains price row is to be contained.

The Commission's move threatened to weaken still further the necessary political co-operation needed to sustain the Common Agricultural Policy (CAP) and hurt the already battered West German farmer, the telegram said.

Herr Strauss's call to arms was backed by Herr Gustav Suhler, president of the Bavarian Farmers' Association. He claimed that Herr Ignaz Kiechle, the Farm Minister, has now done all in his power to defend the cereals producers and "now it is Chancellor Kohl's turn."

However, the Agriculture Ministry appeared to be taking a more cautious position in the light of the complex legal issues at stake.

Social fund squeeze hits youth training

BY QUENTIN PEEL IN BRUSSELS

BRITAIN'S Youth Training Scheme, the £1bn-a-year programme to give vocational training to unemployed school-leavers, has been badly hit by a squeeze on cash grants from the European Social Fund in Brussels.

A sharp drop in the amount of finance going to UK schemes, down by Ecu 95m (£57m) to Ecu 500m for 1985, has hit the YTS particularly hard, leaving the British Government with a problem over how to make up the difference.

Distribution of cash to training and job-creation schemes throughout the EEC has been complicated by huge over-subscription to the Ecu 2bn Social Fund, with requests for finance totalling almost Ecu 5bn.

As a result, the British share, which last year was by far the largest at 32 per cent, was expected to be the hardest hit.

EEC support for the YTS will total around £101m in 1985, compared with £135m for 10 months of 1984. The programme has been forced to absorb the bulk of the reduction.

Israeli bank inquiry warns top officials of possible findings

BY DAVID LENNON IN TEL AVIV

THE HEADS of Israel's major banks, two former finance ministers, the Governor of the Bank of Israel and his predecessor are among 16 leading financial figures warned by the Public Commission of Inquiry into the 1983 bank share crash that they could be harmed by its findings.

The Commission was established in January to find the causes of the dramatic collapse of bank shares on the Tel Aviv Stock Exchange in October 1983 which wiped out 50 per cent of their trading value and endangered the stability of Israel's banking system.

Under Israeli law the Commission is bound to give advance warning to those who may face criminal proceedings, or whose reputation may be harmed by its findings, so that they may take steps to defend themselves either through further testimony or by cross-examining witnesses.

The five-member Commission, headed by a Supreme Court judge, was ordered to be set up by the Knesset and began hearing testimony in March this year. More than 60 leading figures in the financial world, end from the Bank of Israel, the Treasury and ancillary bodies were questioned.

Among those warned are Mr Ernest Japhet, chairman of Bank Leumi; Mr Ephraim Reiner, chairman of the board of directors of Bank Hapoalim, and Mr Giora Gazie, chairman of the board of management of Bank Hapoalim; Mr Raphael Recaneti, chairman of the Discount Bank; Mr Aharon Meir, managing director of United Mizrahi Bank; and Mr David Shoham, former managing director of the Israel General Bank.

Two former finance ministers, Mr Yoram Aridor and Mr Yigal Hurvitz, were also warned, as were Dr Moshe Mendelbaum, Governor of the Bank of Israel, and the former governor, Mr Arnon Gafny.

The gravity and number of possible "charges" vary greatly among those who received warning letters. Officials of the commercial banks were cautioned that they are liable to be found to have been at fault in 12 separate areas.

The Commission does not expect to present its final report until the end of the year.

India secures $4bn from Western aid consortium

BY PAUL BETTS IN PARIS

INDIA secured financial aid commitments of $4bn (£3.12bn) from its Western aid consortium for the current fiscal year 1985-1986.

This is about the same level in dollar terms as the aid commitment granted by the consortium to India last year, Mr S. Venkitaramanan, the Indian Finance Secretary, said on Wednesday at the end of a two-day meeting of the India aid group at the World Bank in Paris.

Mr Venkitaramanan said that in Special Drawing Rights terms, the new commitments were 5.5 per cent higher for the current fiscal year increasing from SDR 3.7bn last year to SDR 3.9bn for the present period.

He said that India was expecting to receive about $650m of concessional lending from the International Development Association (IDA), about the same at last year. However, this marks a sharp drop from the peak of more than $1.5bn in IDA aid India received in 1980.

He also said India would continue to seek financial assistance from the Soviet Union for its oil development programme in the absence of aid from Western donors or support from international oil companies.

Concessional aid was essential for India to support its short and medium term growth targets. Indian officials said the country's new five year plan (1985-90) now being finalised was expected to aim for average annual GDP growth of 5 per cent.

North and South Korea move closer to trade pact

By Steven B. Butler in Seoul

NORTH AND South Korea stepped closer to an agreement and bilateral trade and economic co-operation yesterday in a meeting at the truce village of Panmunjom.

In a surprise move, the south accepted, in a simplified version, an elaborate joint committee structure headed at the vice-premier level that North Korea had proposed in talks one month ago.

The south was initially cool to the proposal, suspecting it was a scheme to delay reaching agreement on concrete practical issues, which the south has consistently stressed.

Both sides yesterday presented draft agreements incorporating the committee structure. The south, however, delayed a move to draft the final language, insisting that any agreement contain details about the framework and ground rules under which economic co-operation would take place.

The South's acceptance of the committee structure apparently caught the North by surprise.

The North Korean delegates discarded parts of a prepared presentation and inadvertently handed the South the draft of a counter-proposal for a trade committee which was drawn up on the assumption that South Korea would not accept the vice-premier committee system.

The meeting ended with an agreement that the two sides would later adopt an agreement to carry out trade and other forms of economic co-operation under the joint committee.

The North said it would study the South's insistence on putting more specifics on trade into the final agreement. They will meet again on September 18.

Mr Kim Ki-hwan, the chief South Korean delegate, said he was "encouraged" by the meeting, while his North Korean counterpart, Mr Lee Sung-rok, called the meeting a "success" because the two sides found so much common ground.

Anthony Robinson reports from Windhoek on Pretoria's longer-term regional strategy

South Africa in no hurry over Namibia

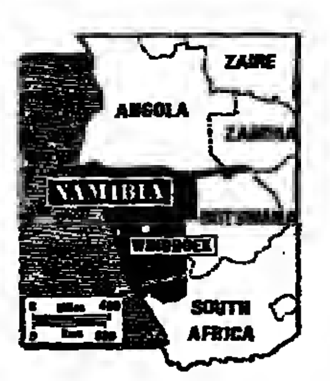
THE INAUGURATION this week of a multi-racial "transitional Government of national unity" in the Namibian capital of Windhoek flies in the face of world opinion, but it is not prelude to a unilateral declaration of independence.

It appears to be the latest step in Pretoria's long-term strategy of forcing the South-west African Peoples Organisation (Swapo) to give up the armed struggle and entice it towards participation in a negotiated independence settlement.

Formally, Pretoria remains wedded to granting Namibian independence under the terms of UN Security Council Resolution 435, which calls for elections to a constituent assembly under UN auspices, with the proviso that Cuba must first withdraw its 30,000 troops from neighbouring Angola.

However, its actions demonstrate that, in fact, South Africa has no real intention of permitting UN-sponsored elections which it believes would lead to a Swapo electoral victory and a triumphal parade down Windhoek's main Kaiserstrasse by armed Swapo guerrillas.

No matter how limited such a Swapo government's freedom for manoeuvre would be, given the economic and geo-political dependence of Namibia on South Africa, Pretoria wants to avoid any solution which would be interpreted as a sign of white capitulation to the inhabitants of black townships in South Africa and which could lead to a revolt by the white electorate there.



The UN Security Council has called for the imposition of voluntary sanctions against South Africa as a means of exerting direct pressure for attaining Namibian independence, writes our UN Correspondent. The U.S. and Britain abstained in Wednesday's 13-0 vote.

The resolution also holds out the threat of mandatory sanctions should South Africa fail to take heed of the Council's demands. However, no deadline was set. As voluntary measures the resolution suggests that governments stop new investment in South Africa, re-examine maritime and aerial relations with South Africa, prohibit the sale of Krugerrands and impose restrictions on sports and cultural relations.

The U.S. and Britain had threatened to use their vetoes to block a much stronger resolution but in the end were able to reach an compromise with the members of the non-aligned group of countries who sponsored the text.

More than 80 speakers addressed the council in the seven-day debate which saw South Africa condemned for its decision to establish an interim administration in Namibia.

Namibia remains essentially a sideshow. Pretoria's main concern is to ensure the right internal and external conditions for carrying on its domestic reform policies and ensure they are not perceived as the fruit of weakness or of concessions granted under duress.

The lengthening list of reforms to apartheid at home have been accompanied by combined army/police repression as well as spectacular commando raids on African National Congress (ANC) and other targets abroad. The run-up to creation of the new interim Government has likewise been accompanied by conditioning military pressure in the Ovamboland war zone and tight internal security.

According to General George Meiring, Commander-in-Chief of the South African and Territorial Forces, the war is costing just over R1m (£400,000) daily and has eliminated 50 per cent of Swapo's effective fighting strength.

Pretoria also embarked on the ill-fated commando raid on the oil installations in the oil-rich Angolan enclave of Cabinda, run by the U.S. Gulf Oil Corporation, in a further bid to weaken the Angola factor.

Pretoria, in short, has bunkered down into what looks suspiciously like a "fortress South Africa" policy, convinced that the outside world is dangerously out of line with the realities of the southern African situation as perceived by the Africaner-dominated Government.

The U.S. State Department and most other Western Governments view the abortive raid on Cabinda and the lightning raid last week against suspected ANC bases in Botswana as self-defeating actions which increase world hostility towards South Africa, enhance the prestige of the ANC as victim of South African aggression, and entrench the Cuban presence in Angola as the ultimate bulwark of the Marxist MPLA Government in Luanda.

Pretoria sees it differently. The Botswana raid was similar to raids on ANC bases in Mozambique and Lesotho, which were followed ultimately by the expulsion of the ANC from these countries. Similarly, had the Cabinda raid succeeded, it would have reduced the flow of U.S. dollars which Angola uses to pay for the Cuban troops. Pretoria was not aiming to overthrow the MPLA Government but force it into a coalition with Unita which it believes is the best way of securing the eventual departure of Cuban forces.

Back in Namibia, it is difficult to find anyone who believes the squabbling alliance of six political groupings which form the Multi-Party Conference (MPC) coalition Government will be able to survive long fundamental differences such as the future of the 10 ethnic "second-tier" administrations and the integration of schools, hospitals and other facilities.

South Africa continues to hold the trump cards and will continue to do so until a combination of military pressure and political blandishment leads to what Pretoria hopes will be a split between the political and military wings of Swapo.

It may take years, but Pretoria does not appear to be in a hurry. It believes that eventually the front line states and the rest of the international community will accept an internal settlement in which Swapo participates. But it would have to be a government which, like post-Nkomati Mozambique, recognises the realities of South Africa's regional power status.

Exchange rate fluctuations top Group of 10 agenda

BY MAX WILKINSON, ECONOMICS CORRESPONDENT

FINANCE MINISTERS of the major industrial countries meeting in Tokyo today are expected to agree a series of proposals intended to secure greater economic co-operation and so reduce the wilder fluctuations of exchange rates.

However, the proposals fall short of a commitment by the major powers to set up target bands for important exchange rates, even though some countries, notably France, want to move in this direction. There is also little expectation that the meeting will lead to substantial changes in the world's monetary regime.

The meeting of the so-called Group of Ten, comprising the world's leading industrialised countries, will have before it the results of a two-year study by officials on the workings of the world monetary system.

The discussions leading up to the meeting produced widespread agreement that the system of floating exchange rates which replaced fixed parities in 1972 had led to undesirably large swings.

However, officials found little evidence that these swings had caused actual harm to the world economy, even though some countries pointed to the dangers of protectionism and the distortion of trade flows resulting from the current over-valuation of the dollar.

All the countries agreed, however, that it would be impossible to go back to the system of fixed parities which dominated the 1950s and 1960s. Moreover, the U.S. has effectively vetoed any idea of moving to a system of target zones.

France, on the other hand, argues that the target zones in the European Monetary System have operated successfully, and the idea could be extended.

The U.S. is probably also worried that a target for the dollar might force it into internal political problems over changing its policies, particularly if it should face greater pressure to cut its federal budget deficit.

The Group of 10, the U.S., Japan, West Germany, France, Britain, Italy, Canada, Belgium, Holland and Sweden, as well as Switzerland failed to agree on the need for an increase in world liquidity.

However, the U.S. supported by West Germany and to some extent by the UK, said there was no overall shortage of liquidity: the problem was that some individual countries did not have enough money.

The 11 nations have agreed in a general way that the IMF should co-operate more closely with its sister organisation, the World Bank.

However, French ideas that this could lead to a softening of the conditions attached to IMF assistance have been rejected. Most of the countries want the IMF to stick to its present role.

However, the nations do appear to have agreed that the IMF's policing role over the policies of all members should be strengthened.

This would involve:

- More detailed monitoring of the economies of all members including the richer ones.
- More publicity for the IMF's annual assessments of members' policy stance. This would involve publishing some of its findings, and ensuring that senior ministers in member countries were fully aware of the Fund's views.
- Supplementary consultations at the highest level between the Fund and member countries where exchange rates or other economic indicators seemed to be going off the rails.

WORLD TRADE NEWS

Japan urged to ease petroleum policy

BY PAUL CHEESERIGHT IN BRUSSELS

THE JAPANESE government must adopt a more liberal attitude to the forthcoming stream of petroleum product exports from new refineries in the *Middle East*, *EEC energy* ministers agreed yestorday.

Japan will be told by EEC representatives at next month's Paris meeting of petroleum consumers in the International Energy Agency (IEA) thot it should take a fair share of the 50m tonnes of petroleum products coming on to the market.

Tho EEC is prepared to accept in the normal pattern of trading somo 20m tonnes, but expects Japan to take 10-15m tonnes and tho U.S. the balance.

Japan's imports of this type of product are strictly controlled and European Commission officials do not believe that Tokyo has yet como to terms with the new circumstances on the market.

The stand of tho onergy ministers, finalising their negotiating position for the IEA meeting, is further evidence of tho pressure building up on Japan to change its trading policies—liberalise its imports and restrain its exports.

It follows a setiffly worded injunction from EEC foreign ministers that Japan should take in more manufactured imports and a Commission proposal that the EEC should raise its tariff on video cassette recorders. Mr *Yasuhiro Nakasone*, Japan's Prime Minister, visits Europe next month.

The general Community stance on the petroleum products is that the new Middlo East output can be absorbed if marketed sensitively. "*There is* no Community problem provided we just have to take our fair share," said Mr Peter Walker, tho UK Enorgy Secretary.

Acting with unaccustomed speed, the energy ministers agreed on a four year programme costing a tolal of ecus 500m for energy research.

Of the total, ecus 90m a yeor will be spent on demonstration projects involving the gasification and gas liquefaction of coal and alternative sources of energy. A further ecus 35m a year will be spent on technological development in the *hydrocarbons sector*.

The programme is a continuation of oxisting schemes, but this timo the ministers agreed in one meeting. The earlier series took five meetings to arrange.

Ford chief calls for consensus on free trade

By John Davies in Frankfurt

WESTERN countries and Japan ahould make an effort to reach a consensus about thoir sharply diverging concents of froe trade, according to M Daniel Goeudevertt, tho head of tho Ford motor vehicle concorn in West Germany.

The French chief executive of Ford-Werke said thot Japan exported 4m vehicles last year while importing only 42,000. This meant that for every aingle car aold in Jopan by 30 Western manufacturers, eight Japanese companies sold nearly 100 vehicles abrood.

"Even if you can believe that some car manufacturers have incompetent management, no one can argue that every Western car maker is equally incompetent or uninlerested in exporting to Japan," he said.

M Goeudevert said the basic reason for the huge imbalance was that many Western politicians understood "free trado" to mean something quite different from Japanese politi*cians and economists*.

"It seems to me high time to get some consensus abont the idea of free trade, instead of continuing to pedle well-meaning advice to Western industry."

The Japanese export challenge, along with unemployment was behind the current heavy losses and dislortions of competition within the European motor vehicle industry, M Goeudevert added.

'Progress slow' in U.S. talks

BY CARLA RAPOPORT IN TOKYO

U.S.-JAPAN trade talks ore not making satisfactory progress, according to U.S. trado officials visiting Tokyo.

"In terms of the (biloteral) trade committee, it has been a frustrating experience and there are still a lot of issues still on tho table," a U.S. Government official, who asked not to be named, said yesterday.

Tho bilateral trado talks have been going on for nearly a year with tho aim of improving market accessibility for a wide rango of U.S. manufacturers who would like to sell more to Japan.

In recent months, U.S. and Japanese officials havo also been engaged in separate talks on improving U.S. imports, in four specific market areas, including semiconductors, forest products, drugs and telecommunications.

These talks are progressing as expected, according to tho U.S.

U.S. officials believe that there are some "fundamental" difforences between the two sides, which hamper their ability to roach satisfactory solutions.

For examplo, in the matter of communications satollites, tho Americans have asked for assurances that the atate-owned Nippon Telegraph and Telephone (NTT) would be free to purchase such equipment from abroad.

"We kopt getting answers that they would be free as long as tho equipment was compatible with Japan's spoco development programme. But compatibility is undefined," the U.S. official said.

"Clearly, there is a lot at stake here. The trading system is under siogo and rightly or wrongly the focus is on Japan. We are not alone in wanting access to this market," tho official added.

On the touchy issue of semiconductors, the U.S. has asked Japan why its industry was investing in new capacity when the demand for semiconductors world-wide is slowing.

The U.S. trade officiols have asked Japan to make a public policy decision not to bail out those companies which are overinvestnig, if such lnvostments lead to destructivo overcapacity.

Tho U.S. hopes some of the items under negotiation will be *included in next month's action* programme on imports expected from the Japanese government.

Greeks negotiate alumina plant

BY ANDRIANA IERODIACONOU IN ATHENS

GREECE and the Soviet Union are still negotiating unresolved financial details of a $450m Greco-Soviet *alumina plant venture, which the* Socialist Government of Dr Andreas Papandreou has been trying to get finalised for nearly four years, according to Greek officials.

A Greek delegation was scheduled to *leave for the Soviet Union today* to continue talks.

A site was chosen for the alumina plant to the north-west of Athens in early 1985 after prolonged negotiations on the price of the alumina. Construction was supposed to begin shortly after that. According to Greek officials, some preliminary surveying and foundation work has been carried out at the site. But work cannot properly begin until the final contract is signed. That has not happened yet.

According to the Greek side, what remains to be negotiated is the price of the technological equipment, which will account for roughly half the total cost of the project and be supplied by the Soviet Union as its share of the financing.

The equipment will come from the Soviet Union and third countries, unspecified, in the West. Greece will have to pay for the equipment in hard currency. It hopes to be compensated through the absorption of the bulk of the alumina production by the Soviet Union.

Greek officials say that Moscow's initial offer on the equipment was considered too high by Athens, but they did not disclose exact figures. "The Soviets proposed a high price, we proposed a low one, and I suppose we will meet somewhere in the middle, say in the range of $150m to $200m," one Greek official said.

● China has agreed to buy more than 1m tonnes of steel from Japanese companies initially in the second half of this year, according to industry sources, AP-DJ reports from Tokyo.

Brazil puts pressure on U.S. over footwear

By Andrew Whitley in Brazil

BRAZIL is mounting heavy presshure on the U.S. to modify its proposed measures severely curtailing the import of leother footwear.

Senor Olavo Setubal, the Brazilian Foreign Minister, said this week that the restrictions *proposed* by the International Trade Commission—in a report being studied by President Ronald Reagan—could have "far worse consequences" for Brazil than the recent prolonged dispute with the U.S. over steel imports.

The footwear issue was one of tho major tonics discussed by tho Brazilian foreign minister in Washington last week, where he met Mr George Shultz, Secretary of State, end Mr Malcolm Baldrige, the U.S. Commerce Secretary.

Further pressure on the Reagan Administration to modify its stance in defence of the beleaguered U.S. ahoe industry was brought by Sen Francisco Dornellis, the Finance Minister.

Diplomats say Sen Dornellis called his U.S. counterpart, Mr James Baker, immediately after the ITC's decision waa made public — to warn him of the damaging consequences this action could have on Brazil's ability to service its U.S.$103bn (£85.8bn) foreign debt.

Last year's leather footwear sales to the U.S. were worth nearly $900m to Brazil, putting *the country in third place* behind Talwan and South Korea as a supplier to the important U.S. market. Of the 110m pairs exported 90m went to the U.S.

More important for Brazil at this stage of political transition to full *democracy*, and *recovery* from a severe recession, is the impact the proposed U.S. curbs could have on employment.

The industry — concentrated heavily in the states of Sao Paolo and Rio Grande do Sul—employs *about 250,000* people.

The foreign minister said the impact on omploymont in Brazil of the ITC's proposed cut in tho share of imported shoes from 80 per cent to 50 per cent of the market would be "10 times greater" than the consequences of the steel dispute might have been.

Last year, Brazil and the U.S. agreed to a voluntary five-year pact restraining tho growth of Brazilian steel exports.

Tata Engineering to manufacture passenger cars

BY R. C. MURTHY IN BOMBAY

TATE ENGINEERING and Locomotive Company (Telco), India's top truck producer, plans a Rs 2bn (£127m) project to manufacture passenger cars.

Honda of Japan and Mercedes Benz of West Germany havo been short-listed from several European and Japanese companies for negotiations on car technology transfer.

Daimler Benz, which has supplied truck technology to Telco, has a 13 per cent stake in the Indian truck company.

Telco decided to take up the passenger car project after the Indian Government's liberalisation policy. This, for instance, allows truck manufacturers to produce passenger cars within the manufacturing capacity sanctioned. Telco has a licensed capacity of 80,000 units, only two-thirds of which was used for truck production last year.

The choice of foreign collaborator will be announced at the Telco shareholders' meeting on August 14, Mr S. Moolgaokar, chairman, said.

The project is to be located adjacent to Telco's truck manufacturing facilities at Pune, in the western state of Maharashtra. This will enable Telco to produce a car with a higher indigenous content than any other Indian car project, Mr Moolgaokar said.

In addition, Telco has also announced its intention to introduce by the end of the year a fuel-efficient light commercial vehicle to compete with modern Japanese vehicles being manufactured by Indian joint ventures.

Profits of Telco rose strongly in the year to March 1985, reversing declining profitability seen in the earlier two years. Sales rose 9 per cent to Rs 9.33bn in 1984-85 but *gross* profits shot up 21 per cent to Rs 1.12bn.

Profits after tax were Rs 231.3m in 1984-85 against Rs 192.8m the previous year. Dividend was raised to 23 per cent after pegging at 20 per cent for the earlier five yeara.

Cuba wants West to join industrial project study

BY HUGH O'SHAUGHNESSY

CUBA IS attempting to persuade its Western trading partners to go half shares in a $30m (£25m) fund to carry out atudies on the viobility of various industrial projects on the island.

"*Western governments* and companies putting up money for studies into specific schemes would have a head start in potentially lucrative operations," according to Sr Roul Leon, Minister-President of the National Bank of Cuba which is promoting the idea.

The Cubans will not reveal the response from their trading partners so far, saying that a definitive response will be received only when the various bilateral *trade* commissions have met during this yeer.

The $30m fund has been launched in the wake of the relative failure of previous Cuban efforts to attract foreign investment into joint ventures in Cuba.

In spite of attempts to form joint companiea to run o number of enterprises ranging from hotels in the offshore cays around Cuba to light engineering workshops in Havana, foreign partners were virtually impossible to recruit.

A small Spanish company did set up a joint venture to produce spares for machinery in the Cuban capital but its example was not followed by others.

AP-DJ reports from Rio de Janeiro Interbras, the trading arm of the Brazilian state oil company Petroleo Brasileiro SA (Petrobras), has arranged the barter of $50.5m (£41.6m) worth of ductile cast iron pipe produced by a privately-owned Brazilian company for Iraqi crude oil.

The pipe will be traded for 5,000 barrela a day of crude oil. That amount, when added to the 27,000 *b/d* currently traded for Brazilian goods in an agreement signed by the two countries last August, would bring Iroq's doily countertrade export to Brazil to 32,000 b/d.

Olivetti wins $2m order from GM

By Alan Friedman in Milan

AN OLIVETTI subsidiary has won e $2m order from the Chevrolet division of America's General Motors to supply factory automation products.

The order follows a recent $80m order by Chevrolet for automated assembly lines from Coman, the Fiat group's factory automation subsidiary.

Olivetti's Esercizio Pietro Pon*figgia, which operates in the cap*ital-goods sector as a producer of lathes and fully automated turning cells, has won the General Motors order through its U.S. distribution partner, Lodge & Shipley.

The Olivetti subsidiary has an agreement with Lodge & Shipley for sales and assistance on the U.S. market.

The Fiat and Olivetti orders are significant because General *Motors is already one of* the world's most advanced companies in factory automation applications.

The recent $80m Comau order was to supply two Chevrolet plants in New York State and in Ontario with automated assembly lines for manufacturing aluminium cylinder heads.

● Pirelli said it won a contract from Licensintorg, the Soviet *trade organisation, for* a car drive-belt plant.

Under the agreement, initialled in Moscow, Pirelli will provide machinery and training and supervise plant installation and start-up.

Pirelli, which declined to disclose the value of the deal, said the new plant would form part of VAZ, the Soviet Union's biggest car factory.

● Spain's state fertiliser company, Empresa Nacional de Fertilizantes, awarded Española de Investigación y Desarrollo and France's Grande Paroisse a contract to provide the engineering for a 275,000-tonne-a-year nitric acid plant, a company spokesman said.

The Pta 7bn ($40.6m) facility under construction near Valencia is scheduled to come on stream in 1987.

Singapore refineries get surprise boost

BY CHRIS SHERWELL IN SINGAPORE

AN UNEXPECTED mini-revival in Indonesian processing business has given a small boost to Singapore's troubled oil refiners. They point out, however, that business compares unfavourably with Europe after the latest drops in crude prices there.

This is a reversal of the position *at the end of last year*, when margins between crude and refined product prices were more attractive in the Far East than in Europe or the U.S.

New Indonesian business is therefore welcome. Previously it had fallen to about 30,000 barrels a day (b/d) from the 100,000 b/d arrangement negotiated indirectly with Pertamina, the Indonesian state oil company, last November.

That arrangement was itself a relief to the besieged industry, even though volumes fell subsequently.

The *latest* boost to Singapore's refineries, apparently a result of operational difficulties at Indonesia's new *refineries*, is of *unspecified* size but is expected to last several weeks.

Recent Chinese and Iranian crude processing deals have continued to bring much-needed business to Singapore, which is the world's third largest refining centre after Houston and Rotterdam.

But overall capacity utilisation at the five main refineries is said to have dipped to 50–55 per cent, and one major oil company estimates that most have been failing to cover costs.

BASE LENDING RATES

A.B.N. Bank	12½%	■ Hill Samuol	§12½%
Allied Irish Bank	12½%	C. Hoare & Co.	12½%
American Express Bk.	12½%	Hongkoog & Shanghai	12½%
Henry Ansbacher	12½%	Jobuson Matlhey Bkrs.	12½%
Amro Bank	12½%	Knowaley & Co. Ltd.	13 %
Associates Cap. Corp.	13 %	Lloyds Bank	12½%
Banco de Bilbao	12½%	Edward Manson & Co.	13½%
Bank Hapoalim	12½%	Moghraj & Sons Ltd.	12½%
BCCI	12½%	Midlaod Bank	12½%
Bank of Ireland	12½%	■ Morgan Grenfell	12½%
Bank of Cyprus	12½%	Mount-Credit Corp. Ltd.	12½%
Bank of India	12½%	Notional Bk. of Knwait	12½%
Bank of Scotland	12½%	National Girobank	12½%
Banquo Belge Ltd.	12½%	National Westminster	12½%
Barclays Bank	12½%	Northern Bank Ltd.	12½%
Benoficial Trust Ltd.	13½%	Norwich Gen. Trust	12½%
Brit. Bank of Mid. East	12½%	Peoplo's Trust	13½%
■ Brown Shipley	12½%	Provincial Trust Ltd.	13½%
CL Bank Nederland	12½%	R. Raphael & Sons	12½%
Canada Permanent	12½%	P. S. Refson	12½%
Cayzer Ltd.	12½%	Roxburghe Guarantee	13½%
Cedar Holdings	13 %	Royal Bank of Scotland	12½%
■ Charterhouse Japhet	12½%	Royal Trust Co. Canada	12½%
Choulartons**		■ J. Honry Schroder Wagg	12½%
Citibank NA	12½%	Standard Chartered	‖12½%
Citibank Savings	¶12½%	TCB	12½%
Clydesdalo Bank	12½%	Trustee Savings Bank	12½%
C. E. Coates & Co. Ltd.	13 %	United Bank of Kuwait	12½%
Comm. Bk. N. East	13 %	United Mizrahl Bank	12½%
Consolidated Credits	12½%	Westpac Banking Corp.	12½%
Co-operative Bank	*12½%	Whiteaway Laidlaw	13 %
The Cyprus Popular Bk.	12½%	Williams & Glyn's	12½%
Dunbar & Co. Ltd.	12½%	Yorkshire Bank	12½%
Duncan Lawrie	12½%		
E. T. Trust	13 %		
Exeter Trust Ltd.	13 %		
First Nat. Fin. Corp.	13½%		
First Nat. Secs. Ltd.	13½%		
■ Robert *Fleming & Co.*	12½%		
Robert Fraser & Ptns.	13½%		
Grindlays Bank	‡12½%		
■ Guinness Mahon	12½%		
■ Hambros Bank	12½%		
Heritable & Gen. Trust	12½%		

■ Members of the Accepting Houses Committee.
* 7 day deposits 9½%. 1 month 10¼%. Top Tier—£2,500+ at 3 monthly notice 12½%. At call when £10,000+ remains deposited.
‡ Call deposits £1,000 and over 9½% gross.
‖ 21-day deposits over £1,000 10½%.
¶ Mortgage base rate.
** See Provincial Trust Ltd.
§ Demand deposits 9¼%.

Argentine banks report funds inflow

By Jimmie Burns in Buenos Aires

THE ARGENTINE Government yesterday said it was encouraged at the stable reaction shown by the country's financial markets following the recent announcement of currency reform.

The country's bankers yesterday reported that more than 80 per cent of short-term deposits had been renewed on Wednesday and that there had been an influx of new funds. Wednesday was the first day of normal business activity following a decreed three-day bank holiday that followed the announcement of the reforms.

The long queues which had formed outside branch offices from early Wednesday morning initially raised fears of a run on deposits. This would have had incalculable consequences for a banking system that has already suffered a liquidity squeeze as the result of a failure last month of the Banco de Italia y Rio de la Plata, the country's third largest private bank.

Bankers said most of their clients had reacted "positively" to the conversion of the "peso" to the "austral," and had largely only withdrawn cash to settle a backlog of bills which had been piling up in recent days.

Government officials claimed that the firmness of the austral in its first official day of trading was a sign that Argentina was beginning to experience a modest inflow of capital.

Outflows of capital as a result of lack of public confidence in government policy is estimated to have reached over $20bn (£15.7bn) in recent years.

Reports of a currency reform last week led to an unprecedented slide of the local currency against the dollar on the local black market for foreign exchange.

Tim Coone reports from Nicaragua on the effect of further U.S. aid

Contras promise Ortega's defeat

HOPE HAS been rekindled temporarily in the rightist guerrilla camps along the Honduran and Costa Rican frontiers of Nicaragua as a result of the U.S. Congress's approval last week of some $30m (£23.6m) in further funding to the country's Contras.

In the Honduran capital, Tegucigalpa, the main guerrilla organisation, the FDN, lauded the decision and announced a major offensive for August as a result of the renewd aid. It confidently promised the defeat of the Sandinista Government in Nicaragua by December.

However, the imminent end of the Sandinistas was similarly predicted in 1983 and 1984, but after three and a half years of fighting it is the guerrillas rather than the Sandinistas who face defeat.

The Contras have received an estimated $70m-$100m in U.S. aid from government and non-government sources since 1981, as well as training and intelligence support from the CIA and the establishment of an elaborate rear guard and supply system in Honduras and Costa Rica.

Despite this support the Contras have significantly failed to take or hold any target of political importance inside Nicaragua or to mobilise popular opposition to the Government, as did the Sandinistas in their ousting of the Somoza dictatorship during 1978 and 1979.

Instead, the balance of the war over the past six months has shifted decisively against the Contras. Under the weight of a sustained army offensive since January, the Contra forces have been dislodged from strongholds in both the north and south of the country, and been pushed back across the frontiers into Honduras and Costa Rica.

The principal guerrilla base and airstrip of the Arde group in the south was overrun on June 11: for about two years it had been the headquarters for guerrilla units which had paralysed or disrupted much of the economic activity in the regions of Zelaya Sur and Nueva Guinea.

Humberto Ortega: no let-up

Contra casualties have run at about 15 to 20 a day over the past five months according to the Ministry of Defence: this and a growing desertion rate have made it difficult for the Contras to maintain an effective fighting force of even 10,000 in the field.

The Defence Minister, Commander Humberto Ortega, said at the weekend that there will be no let-up in the offensive this year and that areas deep in the mountain and close to the frontiers where the Contras have previously had considerable freedom of movement, will now remain permanently under army control.

There are external signs of a steady demoralisation of the Contra forces. In March Sr Jose Mondragon, a guerrilla commander, took advantage of the Government amnesty which remains in force until July. He gave up the war because of bitter infighting among the FDN leadership.

Sr Mondragon also claims assassinations are frequently used to resolve internal disputes and that large quantities of the U.S. funds are diverted to the FDN leader's personal bank accounts in the U.S. Sr Edgar Chamorro, a former FDN political leader who was expelled from the organisation in 1984 for speaking too openly of internal squabbles, has also made similar claims to Sr Mondragon.

If the war has proved a political failure for the opposition because of its identification with the National Guard and its U.S. backing, it has nonetheless been an economic success. The more sober government estimates put direct material damage between 1981 and 1985 at around $300m.

Diversion of more than 40 per cent of the government budget on defence, loss in exports and delays in project implementation, cost the country about $100m a year. Exports fell to $365m in 1984, the lowest in 10 years. The resettlement of more than 200,000 refugees has cost $100m according to Social Welfare Ministry officials.

Military analysts in Managua now expect sabotage by the Contras to change in emphasis and centre on infrastructural targets such as bridges and electricity pylons, which will reduce casualties but maintain economic pressure on the Government.

If the FDN truly expects to be in power by December, however, it will not be through their efforts alone or with the new U.S. funds. Sr Mondragon insists that the Contras' strategy is not to achieve a military victory through the war, but to prepare for a subsequent U.S. military intervention.

His view is corroborated by a senior U.S. military analyst in the region who claims everything is now in place to enable the U.S. to invade Nicaragua should it so wish. "It would be a piece of cake compared to Vietnam," he said.

Commander Hugo Torres, of the Nicaraguan armed forces, says: "It is true that the approval of the funds will aid the Contras, who are in a very difficult situation as a result of the defeats we have inflicted upon them this year. But the political endorsement which it has given the Reagan Administration for an eventual U.S. military intervention in Nicaragua is more dangerous."

Peace talks 'reach impasse'

PEACE process has reached a virtual impasse, according to Nicaraguan Government officials. The latest meeting in Panama broke up without agreement on Wednesday night after a proposal by Nicaragua to discuss the renewal of U.S. aid to the contras was turned down by El Salvador, Costa Rica and Honduras, writes Tim Coone on Managua.

Sr Victor Hugo Tenoco, the Nicaraguan Deputy Foreign Minister, said Contadora's procedures for organising discussions and agendas should be urgently reviewed in light of the renewed U.S. aid to the rightest guerrillas.

"It makes no sense to continue ignoring what is happening. It is not possible to be talking of peace when the U.S. is planning war," he said.

Costa Rica has also formally turned down a Nicaraguan proposal to create a demilitarised zone under international supervision along their mutual border.

The Nicaraguan Government said earlier this week it is still willing to sign the Contadora group's peace treaty which was drawn up last September.

Reagan may increase El Salvador military aid

THE U.S. Administration said yesterday it was considering stepping up U.S. military aid to El Salvador to combat terrorism in the wake of the deaths of six Americans in San Salvador, AP reports from Washington.

Four U.S. marines and two other Americans were among at least 13 people killed on Wednesday night when gunmen disguised as Salvadorean soldiers fired automatic weapons at crowded outdoor cafes, U.S. officials said.

Mr Larry Speakes, the White House spokesman said a decision would be made "as quickly as we can," without approval of additional money from Congress. President Reagan could provide funds under the Arms Export Control Act and Foreign Assistance Act, he said.

He could not estimate how much additional money might be allocated.

Mr Robert McFarlane, National Security Adviser, said the U.S. must "assist the Salvadorean government and make sure we bring a halt to this kind of outrage."

Mr McFarlane and Mr Speakes said, however, the U.S. did not plan to use military force.

Mr Reagan met his advisers to consider how to respond to the attack. Possibilities included providing technical assistance from U.S. law enforcement agencies to track down the gunmen, and improving El Salvador's intelligence capabilities, Mr Speakes said.

Mr Speakes said further acts of urban terrorism in El Salvador were "entirely possible." He said it appeared likely that leftist forces were responsible for the attack.

U.S. personnel in El Salvador had been aware of the threat of increased attacks and had been advised to take precautions, he said.

Mr Elliott Abrams, Assistant Secretary of State for Human Rights, told the Senate Foreign Relations Committee that the attack was a "barbaric terrorist act."

Mr Abrams, whose nomination as the Reagan Administration's Latin American specialist is being reviewed by the committee, said U.S. policy toward El Salvador had been "a great success story."

Top 10 defence groups 'face prices probes'

By Nancy Dunne in Washington

ALL TEN of the top U.S. defence contractors are facing federal criminal investigations, according to Mr John Dingell, chairman of the House of Representatives energy and commerce subcommittee on oversight and investigations.

Mischarging U.S. taxpayers is "a way of life throughout the defence industry," Mr Dingell said yesterday, releasing with his accusation a list provided by the Pentagon which revealed the nature of 36 out of 45 criminal inquiries.

Mr Dingell, who his criticised the Administration for prosecuting few major contractors, sent copies of the list to his House of Representatives colleagues to gather support for military procurement reform measures before the House this week.

The investigations focus on allegations such as cost mischarging, labour mischarging, false claims, bribery and bid rigging.

Apart from General Dynamics, the third largest contractor, which faces several much publicised investigations, the list includes the nation's largest defence contractor, McDonnell Douglas, and the number two contractor, Rockwell International Corporation.

Others on the list, in order of size, include Lockheed, Boeing, General Electric, United Technologies, Raytheon and Litton.

Reuters adds: General Dynamics said it has offered the U.S. Air Force between 216 and 396 F-16C jet fighters at a guaranteed cost of $9.7m (£7.6m) each. That price would be for a slightly less advanced version of the F-16C for which the Air Force now pays an estimated $18m each.

Funds boost for sky marshals

The U.S. Senate has voted to give the Reagan Administration $2m (£1.6m) to begin putting weapons-carrying "sky marshals" on international flights by U.S. airlines, AP-DJ reports from Washington.

The money was added to the fiscal 1985 supplemental spending Bill on a voice vote after Senator Lloyd Bentsen, a Democrat, pointed out that President Reagan had asked the secretaries of state and transportation to explore such an anti-terrorist move.

The Senate move and introduction of two related Bills came in response to the hijacking of TWA flight 847 last Friday from Athens international airport.

U.S. House votes to end ban on chemical weapons production

BY REGINALD DALE, U.S. EDITOR IN WASHINGTON

THE Democrat-controlled House of Representatives has voted to end a 16-year moratorium on U.S. production of chemical weapons. The vote is subject to a series of conditions—including North Atlantic Treaty Organisation (Nato) approval—that must be negotiated with the Republican-led senate.

The 229 to 196 vote represented a long-sought victory for President Ronald Reagan and a major reversal by the House, which had three times rejected his previous plans to resume production of the nerve gas weapons.

This time, however, White House pressure, and a desire among Democrats not to appear weak on defence, contributed to a decision to authorise $124.5m (£98m) to start building a new generation of "binary" weapons after September 1987.

Previous opponents of the move were also swayed by the continuing increase in Soviet chemical weapons stockpiles and the belief that "binary" weapons will be safer than the ageing "unitary" ones now stored in the U.S. "Binary" weapons only become lethal when two separate chemical agents are mixed after firing.

The weapons' supporters also had to compromise by agreeing that the funds could not be spent for more than two years, while efforts continue to negotiate restraints on the weapons with Moscow.

The president would then have to certify that the weapons were needed and the Nato allies state that they were willing to store and deploy them.

The expectation on Capitol Hill however, was that the requirement of allied approval would be dropped or watered down in the conference negotiations with the Senate, which approved the full $163.5m originally requested by Mr Reagan, without conditions, last month.

The European allies have hitherto been reluctant to come out openly in favour of the new weapons.

Eighty-six Democrats joined 143 Republicans in support of the compromise, which also emphasised the need for strict safety standards and stipulated that the two chemicals should be stored in separate states. Opponents said that they would again try to block the funds in subsequent appropriations votes.

Meanwhile, the House decisively rejected, by 342 to 79, a liberal bid to delete $582m for the advanced Trident 2 submarine launched D-5 missile from next year's defence budget.

In Geneva, a Soviet disarmament official blasted the move as a "new, dangerous step in chemical warfare."

"This decision dealt a new blow which could cause irreparable damage" to international efforts to negotiate a treaty banning chemical weapons, said Mr Viktor Issraelyan, chief Soviet delegate to the Geneva conference on disarmament.

In Bonn, Herr Olaf Feldmann, a Free Democrat and junior partner in the coalition government of Herr Helmut Kohl, said the chancellor "should declare that there is no question of storage (of chemical weapons) on German soil."

Leslie Colitt in Berlin writes: The East German Communist Party and West Germany's Social Democrats have produced a draft treaty to create a zone in central Europe free of chemical weapons. The draft is designed to form the basis for negotiations between the two German states and the Benelux, Poland and Czechoslovakia.

The Conservative led Government in Bonn said it would carefully study the draft agreement but noted the document did not envisage the destruction of chemical weapons or a production ban. These points, it noted were part of the Geneva negotiations to achieve a global ban on chemical weapons.

UK NEWS

Spending cuts package ruled out by Lawson

BY MAX WILKINSON, ECONOMICS CORRESPONDENT

MR NIGEL LAWSON, the Chancellor of the Exchequer, will assure his Cabinet colleagues this weekend that he has no plans for a special package of public spending cuts this summer or autumn.

He remains, however, seriously worried about the trend of public spending for the next three years, which might threaten the £9½bn tax cuts he has planned for the period.

The public spending meeting this weekend at Chequers, the Prime Minister's country house, was arranged some time ago to review the Government's general strategy for public expenditure restraint and tax cuts, in the light of expected economic growth and the prospects for sales of public assets.

Some City of London estimates that this year's spending and borrowing targets might be under pressure have fuelled speculation that special cuts might be announced, as happened in 1983, Mr Lawson's first year as Chancellor.

A senior Treasury official said yesterday there were no plans at all for such a measure and added that it was highly unlikely that there would be one this year.

The Treasury appears to believe that it is still broadly on target to achieve a public borrowing figure of £7bn this year, although the margins of uncertainty are always huge.

Government revenues are still expected to be about the same as the figure predicted in the March budget statement, in spite of a reduced sterling value for oil revenues.

At the same time, Treasury forecasters appear to think that unplanned spending increases do not yet seem likely to exceed the £5bn allowed for special contingencies.

At the Chequers meeting, discussion is likely to be focused more on the question of Britain's medium-term defence needs and the prospects for social security spending after the recent Green Paper (consultative document).

ASSURANCE GROUP MAKES STRONG MARKET DEBUT

Instant gain for Abbey Life buyers

BY STEFAN WAGSTYL

ABBEY LIFE, the UK assurance group, made a powerful stock market debut yesterday. As stockbrokers crowded the stock exchange floor, the shares opened at a 55p premium to the 180p issue-price.

Later, with many shares falling in a weak market, Abbey Life slipped back from the 235p opening price to close at 232p. One stockbroker said: "They were the only bright spot on a dull day."

Johbers reported heavy trading in the shares, with many private investors, lucky enough to get stock in the heavily oversubscribed issue, selling to make instant profits. The buyers were largely financial institutions anxious to increase their holdings in the UK's second largest unit-linked life company.

Most investors found out only yesterday morning whether they had received shares in the issue, when allotment and rejection letters arrived in the post. Some two thirds of the 375,000 people who applied for stock received no shares, losing out in a ballot. Other investors were generally allotted only a small fraction of the shares applied for.

Nevertheless, even those investors who picked up the minimum allocation of 200 shares are now showing a paper profit of £104 on their £360 investment.

Abbey's parent, the U.S. conglomerate ITT, sold 48.2 per cent of the company in the issue, as part of a broad-ranging programme of divestments. It originally paid £55,000 for 50 per cent of Abbey Life in the early 1960s and bought the other 50 per cent for some £15m in 1970.

The opening premium of 30.5 per cent on the issue falls just short of the 34.6 per cent premium achieved when dealings began in British Telecom shares last December.

But S. G. Warburg, ITT's financial adviser, has denied suggestions that the level of demand for Abbey shares indicates that the offer was priced too cheaply.

● The stock exchange is not planning to open a market in Abbey Life options, at least for the time being. It is understood that the exchange wants to see larger volumes in the 30 equity options already traded before extending the market.

Pilot projects start for cashless shopping

BY MARGARET HUGHES

THREE PILOT projects aimed at the eventual introduction of cashless shopping were announced yesterday by the clearing banks.

The Banking Information Service, which represents the English and Scottish clearers, emphasised yesterday that all these experiments were of limited application and duration, accepting only a few types of card. It added that the partial systems would be withdrawn when the full national system became available in 1988.

Two of the trials – by Midland and National Westminster banks – represent the first trials by English clearers of electronic funds transfer at point of sale (Eft-Pos). The first is already being operated by the Midland Bank subsidiary Clydesdale Bank at petrol filling stations and one shop in Aberdeen and Glasgow.

A third trial is being undertaken by Barclaycard in conjunction with Access. This pilot project is basically an upgrading of the existing telephone authorisation system to allow the data to be fed directly to the credit card company.

Cashless shopping or Eft-Pos allows shoppers to pay for purchases with a plastic card. The retailer wipes the card through a card reader and the customer then enters a personal identification number (Pin) at the retailer's keypad. The transaction is completed in a few seconds and the cost of the purchase is transferred automatically from the customer's account to the retailer's account.

The new Midland trial, called Speedline, will be launched in the autumn and will run for two years. About 30 terminals will be installed in a variety of retail outlets including chain stores and petrol stations.

The NatWest trial, which will start at the end of the year, will involve about 25 petrol stations in the Sheffield, Yorkshire, and Thames Valley areas.

The bank said that the trial would be based on the Pisces system of its subsidiary Centre-file, which allows credit card transactions to be collected, stored and transmitted electronically.

The Visa and Access card trial aims at the installation of 1,000 terminals, mainly in the south east of England, by June of next year. The first will be installed in November at the Brent Cross shopping centre in north London.

Unlike the other two trials, this will be "on-line" with the transaction being immediately authorised and registered on both the credit card holder's account and the retailer's account.

Shell survival plan for chemical works to cost 700 jobs

BY BRIAN GROOM AND NICK GARNETT

SHELL Chemicals UK yesterday announced plans to close the ethylene cracker and cut 700 of the 1,200 jobs at its manufacturing complex at Carrington, near Manchester.

The survival of the remaining 500 jobs at the reshaped complex will depend on the success of radical proposals to streamline the management structure and transform working practices to an extent generally seen only on greenfield sites.

Shell will close the ethylene oxide and continuous derivatives units as well as the cracker, which has always been a candidate for closure when the Esso/Shell ethylene plant at Mossmorran, Fife, is commissioned later this year.

Dr Ian Tornley, plant manager, said Shell would be talking in terms of total closure of Carrington without the availebility of cheaper feedstock from Mossmorran.

Although Carrington just broke even last year for the first time in several years, the company felt it was not viable in its present form. Shell Chemicals UK has lost £200m in five years.

Shell will continue to operate the plastics units (polypropylene, low-density polyethylene and expandable polystyrene) and the batch derivatives plants (detergent ethoxylates and urethane chemicals). The range of products marketed by the company will be maintained, if necessary by outside purchases.

The company intends to cut the layers of management from six to four and abolish demarcations between operating and maintenance workers. Employees, to be called "technicians," will be expected to do any task which they have the skills and knowledge to tackle safely.

Shell hopes to achieve as many job cuts as possible by voluntary means, but compulsory redundancies have not been ruled out. A redeployment unit has been set up to help those looking for new jobs.

The company will be talking to unions over the next month, and hopes to complete the changes by the end of 1986. The initial reaction of the nine unions was conciliatory. In a joint statement they said they were at one with the company in keeping the Carrington site open and expressed satisfaction at the company's extension of a voluntary severance scheme until next April.

The unions also showed willingness to change some labour systems, although Mr Ian Brown, the craft unions' convener, would not be drawn on which demarcation line they were prepared to see abolished.

Treasury rejects EMS argument

BY PHILIP STEPHENS

FULL membership of the European monetary system would probably have done nothing to obviate the need for a sharp rise in interest rates during the sterling crisis of last January, the Treasury said yesterday.

In a memorandum to the Treasury and Civil Service Committee, it said that to meet sterling's obligations within the exchange rate mechanism, the Government might have been forced to raise borrowing costs earlier and perhaps by more.

The study contrasted with the tone of recent submissions from the Bank of England, which suggested that sterling's participation in the mechanism could have helped to limit the crisis.

In evidence to a sub-committee yesterday, Treasury officials said that the pound's status as a petro-currency and the risk of a major fall in the dollar's value continued to weigh against taking sterling into the EMS.

They added, however, that the possibility of membership remained under constant review, and declined to rule out a decision in favour in the lifetime of the present Parliament.

In separate evidence to the sub-committee, Mr Roy Jenkins, a former chancellor and president of the European Commission, castigated the Government for waiting for the "perfect" moment to join. Such a moment, he said, would probably never occur but the case for membership remained overwhelming.

Minet 'put £16m into Beckett'

By John Moore

MINET Holdings, the insurance broker, told shareholders yesterday that since it became involved with the troubled Richard Beckett Underwriting Agencies company at Lloyd's it has had to make £16m in provisions from shareholders funds.

The agency, which Minet bought in 1973 for £2m, had contributed only £2.8m in dividends. Minet is to run down the agency by the end of the year and the management of the underwriting members' affairs is to pass to a new independent company, Additional Underwriting Agencies Number 3, set up by Lloyd's. The 1,525 members whose affairs were managed by the Beckett agencies face losses of £130m on business carried out on their behalf.

Mr Raymond Pettitt, Minet's chairman, tells shareholders in a letter that "within the limitation of its financial resources, its duty to its shareholders and the fact that it has no legal liability in this matter, Minet can make no further shareholders' funds available, beyond what is required to protect the company's interest and to allow for the orderly run-down of Richard Beckett Underwriting Agencies by the end of the year."

ECI success in venture capital role

By William Dawkins

EQUITY Capital for Industry, the nine-year-old investment body set up to rescue companies in trouble, yesterday produced results which suggest it has been successfully transformed into a venture capital group.

Sir Nigel Foulkes, ECI chairman, said in yesterday's annual report that the year to March 1985 showed a "satisfactory confirmation of the trends which were perceptible in last year's results."..

ECI suffered in its early years from a number of well publicised failures, including the 1982 collapse of Stone-Platt, in which it lost almost £5m.

By the end of March this year, it had invested £18.8m in 37 unlisted companies and £18.5m in 24 publicly quoted concerns.

Net assets rose by 17.4 per cent in 1984-85 to £55.2m, including £18.8m in liquid funds. That is a slightly slower pace of growth than in the previous year, when net assets rose by 22 per cent, but that figure was distorted by the realisation of a large holding in UBM Group.

BBC finds alternative radio site

THE BBC has abandoned plans for a £100m new headquarters in central London and instead bought the site of the former White City sports stadium in West London for £30m.

It plans to build a modern radio production complex and other offices on the 16-acre site, once an athletics and greyhound track, adjacent to the BBC Television Centre.

The new development will allow the BBC to move many of its operations out of expensive property in central London and give up premises with an annual rental value of £10m.

The sale of two of its three freehold buildings in central London would "more than cover the cost of the White City purchase," the BBC said.

□ FUNDING for a £62m shopping complex in the centre of Glasgow has been raised, the Scottish Development Agency announced yesterday.

The 280,000 sq ft multi-storey development will include a shopping complex with department stores, 50 shop units, a fast food court restaurant, an ice rink and parking for 750 cars.

□ SALES of the combined engineering industries in the first quarter showed no growth from the fourth quarter of 1984. New orders fell heavily in the home and export markets, according to statistics published by the Department of Trade and Industry.

□ SAVE & PROSPER, the UK unit trust group, is to manage the largest international fund to be sold to Japanese investors in a link-up with Nomura, the leading Japanese securities company.

□ SERVICE industries cannot be relied on to fill the trade deficit in manufactures when Britain's oil revenues run out, according to a report by the Association of British Chambers of Commerce published today.

The report criticises assertions by the Chancellor of the Exchequer that new industries would emerge to replace oil revenues, helped by a lower real exchange rate.

□ BUKTA, the Stockport leisurewear manufacturer, which has been in the hands of the receiver for the past six weeks, is to close with the loss of 180 jobs.

The London-based French Connection clothing group has purchased some of the company's assets, including its name, but will not continue manufacturing at Stockport.

□ THE GOVERNMENT yesterday announced plans for 51 new road schemes worth a total of £311m.

Retailers still confident about sales prospects

BY DAVID CHURCHILL, CONSUMER AFFAIRS CORRESPONDENT

BRITAIN's retailers continue to be optimistic about the outlook for spending in the shops, according to the latest Financial Times/Confederation of British Industry (CBI) survey of the distributive trades published yesterday.

The survey, carried out between May 21 and June 10, found that retail sales volume in May was, as expected, higher than the April level and significantly higher than the same period a year ago. At the same time, retailers' optimism about the outlook for sales "suggests a further acceleration in sales growth this month."

The survey, covering 556 companies in retailing and wholesaling, also found that fewer price rises in the shops were being reported. "It would appear that selling prices in the stores are not increasing at the same rate as the rise in the retail price index," said Mr John Salisse, chairman of the survey panel.

He pointed out that wholesalers and retailers were reporting higher employment than a year ago. "But it looks as if retailers are often taking on part-time rather than full-time workers," he said. "This is particularly true of the large multiple stores, while the independents and small multiples show little change in either full or part-time employment."

Of the 306 retailers in the survey, 71 per cent expected sales volume to increase next month, while only 9 per cent expected it to fall. That gave a percentage balance of plus 62 per cent (subtracting the pessimists from the optimists), compared with a reported balance of plus 56 per cent last month.

Analysis of the survey shows that single-outlet retailers seem to be doing less well and are not as optimistic as large multiple retailers.

In May, retailers reported that the volume of orders placed with suppliers was slightly better than had been expected. However, retailers of confectionery, tobacco and newspapers and footwear and leather retailers placed a smaller volume of orders than a year ago.

The 203 wholesalers in the survey disclosed sales volumes, as expected, well above the levels of a year ago with further growth anticipated in June. A balance of plus 59 per cent reported sales higher than in May 1984 with a balance of plus 62 per cent expecting a further increase this month. That suggests that the recent buoyancy of retail sales is now finding its way through to wholesalers.

Builders merchants again reported sales lower than a year ago, when sales rose in advance of value-added tax being imposed on some building work. Agricultural machinery wholesalers also reported sales lower than a year ago.

Stocks held by retailers and wholesalers were again reported to be too high in relation to expected sales and are therefore forecast to remain more than adequate in June.

The 47 motor traders in the survey reported sales volumes in May lower than had been expected, but some improvement is anticipated in June. In general, sales of parts and accessories appear slightly higher than a year ago, while vehicles sales are a little lower than a year ago.

Exchange to launch long-dated gilt option

By Alexander Nicoll

THE STOCK Exchange yesterday intensified its drive to remain the recognised London market for traded options, with the announcement that it plans to begin trading an option on a long-dated UK Government bond next Tuesday.

The exchange, which offers options on 30 leading equities and on the FT-SE 100-stock index, introduced a short gilt option at the beginning of the year and has since entered the currency options field with sterling/dollar options and, yesterday, D-Mark/dollar options.

The D-Mark contract, providing the buyer with the right to buy or sell DM 62,000 any time before the expiry date, got off to a predictably quiet start with about 200 options traded. The sterling options, each on £12,500, have averaged about 850 contracts a day since they started a month ago.

The long gilt option is on £50,000 nominal amounts of the Treasury 11¾ per cent issue due 2003/2007, and the existing short optioo is on the Exchequer 10 per cent 1989. Introduction of the long option has awaited a decision by the exchange's ruling council that commissions would be negotiable. Prices will be quoted "clean" free of accrued interest.

The exchange will thus complement the London International Financial Futures Exchange (Liffe), with which it has developed an intense rivalry on options. Liffe plans to introduce sterling options and an option on its Eurodollar interest-rate futures contract next week. It already has a long gilt futures contract, and plans a short gilt future from September 10.

Lisa Wood charts the expansion of a once-staid dairy business

Northern Foods' appetite for acquisitions

A FLURRY of takeovers in the last few months has brought Northern Foods, the Hull-based foods and milk distributor, to the attention of investors.

Last week the group announced that it was to buy Bowyers, the loss-making west of England meat pie and sausage maker, in a deal worth about £21m. In March it paid £51m cash for the north of England milk business of Express Dairies, part of the Grand Metropolitan brewing and food group.

"In the last few months we have been consolidating the mainstream of our activities which are milk, milling and meat," said Mr Chris Haskins, deputy chairman of Northern. "You could call these acquisitions tactical rather than strategic. For the future, our major strategy will be to identify a substantial acquisition, on either side of the Atlantic, in a new area of the food business."

Northern Foods' name is not associated with particular branded foods, but its products such as sandwiches, ready-to-eat chilled dishes and yoghurts are sold by several leading retailers under their own labels. Such own-label products, part of a mini-revolution in the food business, account for up to 60 per cent of the production of Pork Farms, *one of Northern's principal* manufacturing companies.

The group's quiet growth from a dairy business has taken it from pre-tax profits of £4.7m in 1974 to £55.4m in the 12 months to March this year. It has included a chequered acquisition programme in the 1960s and 1970s with short-lived diversifications into consumer finance, retailing and brewing. Most recently, Northern sold its North Country Brewery for £42m cash to Mansfield Brewery. There has also been a foray into the U.S., with the unhappy 1979 purchase of Bluebird, a pig slaughtering business, with extreme labour difficulties.

Last year, Northern sold off much of that business and is now concentrating on a second U.S. acquisition made in 1982, Keystone Foods, which is a leading prepared-foods supplier to McDonald's, the fast food chain. It is a relationship very much akin to that Northern has with Marks & Spencer, the big UK retail chain.

Despite such difficulties, Northern, which had trading problems in the UK last year mainly because of high pork prices and delayed increases in milk prices, enjoys a happy relationship with the stock exchange, which gives Northern a substantial premium rating over the average for the food industry.

Northern's historic price-earnings ratio of 13.6 compares with 10.37 for the FT Actuaries food manufacturing group.

The history of Pork Farms illustrates Northern's skill in pumping added value into products. Bought in 1978 for £22m with a net book value of £3m, the company oow has a new book value of £50m and annual profits have risen from £3m to £11m.

"When we bought Pork Farms, its production was concentrated in areas such as cold pies and bacon," said Mr Haskins, brother-in-law of the *chairman, Mr* Nick Horsley, who is son of the founder of the company, originally called Northern Dairies. "Today such products account for about 20 per cent of our business and the rest is chilled, ready-prepared foods such as quiches, pizzas and ethnic dishes, including Chinese ready-to-eat foods."

The development of fresh, chilled *premium* priced products – the chief growth areas in a static food market – has been in tandem with retailers such as M & S who, with their exacting standards, have been heavily involved in the design of new factories for Northern.

Bowyers, with its five factories in the south of England, will be brought into Northern's meat group but it will remain separate and complement the activities of Pork Farms. "Bowyers, which is stronger on sausages than we are, is serving customers in areas where we are not present," said Mr Haskins. Together the two companies will have a 20 per cent share of a stable £1bn a year conventional pie and sausage market. Northern plans some rationalisation of the factory and upgrading of the branded products.

In a similar way, the Express acquisition has both taken a competitor out of a highly competitive market and given Northern access to a host of new customers it could not reach before because of the difficulties of transporting fresh milk over long distances. For Express has a concentratioo of dairies in the north west of England, while Northern's activities are centred in the east.

While Northern is still committed to the daily doorstep delivery of milk its small and vigorous board is seeking to improve profit margins with experiments such as six-day-a-week deliveries and franchising out milk rounds. Milk delivery is also a strong cash-flow business for a group such as Northern, with its heavy dependence on retail customers.

Northern's relationship with its customers is the one area where this otherwise frank company becomes reticent. It is understood that Marks & Spencer, for example, accounts for about £100m of the group's sales, an amount likely to increase to £140m in 1985-86. It is a marriage that looks set to last, giveo the combination of Northern's investment in new plant and Marks & Spencer's place in the forefront of the trend towards convenience foods.

Government blamed for soaring housing land prices

THE GOVERNMENT'S planning policies have contributed to a "banana-republic inflation" of land prices which has hindered labour mobility and prevented the restructuring of the economy, according to a study published today by the House-Builders Federation (HBF), writes Joan Gray, construction correspondent.

The study shows that the price of housing land has risen on average across the country by more than 1,550 per cent over the last 20 years, compared with an increase in the cost of living index of 208 per cent.

The price escalation has increased over the last few years to the extent that housing land prices in a sample county – Hampshire – have risen from under £30,000 an acre in 1978 to £225,000 an acre in 1984, and latest housing land sales in Berkshire have produced prices of up to £350,000 an acre.

"That is inflation in excess of 1,000 per cent in seven years, let alone 1,550 per cent in 20 years," said HBF president Mr Graham Pye, launching the study.

"Whatever the Government has done about inflation generally, with housing land it has done nothing but preside over a banana-republic rise in prices where it has not been builders losing out but buyers."

That is because, with land now accounting for up to 40 per cent of the price of a new home in the South-east, house builders can no longer build at a profit for first-time and lower-income buyers, but only for the more affluent trade upmarket.

The HBF is blaming the problem on the Government's refusal to set targets for the amount of housing that should be built and ensure that enough land is made available.

Instead, the issue has been left to local planning authorities, who have extended their areas of green belt and other categories of land that may not be built on.

"The Government should act as a neutral umpire taking the hard decisions and is refusing to do so," said Mr Roger Humber, HBF director general. "It will have to face up to the conflict between job provision, which is vote-catching, and housing provision by making building land available, which is not."

The HBF will be meeting Mr Patrick Jenkin, the Secretary of State for the Environment, next week to present the results of the study and try to persuade him to "provide a clear housing policy plan with details about household numbers and the relationship between the numbers of houses and jobs in different areas."

"Construction Forecasts 1985-86-87," available from Nedo books, Millbank Tower, London SW1P 4GX. £10.

IBA in talks on 'Dallas'

By Raymond Snoddy

LORD THOMSON, chairman of the Independent Broadcasting Authority (IBA), will next week ask Worldvision, distributors of Dallas, to give the television series back to the BBC.

Mr Kevin O'Sullivan, president of the U.S. distribution company, will fly to London to have talks with Lord Thomson at the IBA.

Lord Thomson will try to find a solution to the row over the future of Dallas, which has intensified since the independent London television company Thames "poached" the series from the BBC in January.

Lord Thomson, it is believed, will tell the distributors that most of the other independent (ITV) companies will refuse to carry the series although it has been one of the BBC's main winners in the ratings.

At stake is a "gentlemen's agreement" that British broadcasters do not try to outbid each other for a series already running on a UK channel.

The British broadcasters feared that because of the willingness of Thames to pay $60,000 for all future episodes of Dallas (compared with the current BBC rate of £29,000), American distributors might try to force up the price of all programmes offered to the UK.

Private-sector power station considered

By Our Belfast Correspondent

THE GOVERNMENT is exploring the possibility that a planned power station in Northern Ireland would be built and operated by a private-sector company.

The idea is that the station, designed to exploit the province's recently discovered lignite deposits, would sell its electricity to the Northern Ireland Electricity Service, which runs the existing grid.

The investigations are still at a preliminary stage but the Northern Ireland Department of Economic Development has already received approaches from companies and groups of companies in Britain and the U.S. which are interested in the possibilities of commercial power generation.

Bupa gains subscribers

By James McDonald

BRITISH United Provident Association (Bupa), the private health care group, won 400,000 more customers in 1984 and a record number of 3.2m people were covered. Another 3,000 companies joined the Bupa scheme during the year, Lord Wigoder, the chairman, told the annual meeting in London yesterday.

The overall growth rate in 1984 was 5 per cent – higher than the market average – and Lord Wigoder said that progress had continued during the first five months of this year, "despite ever-increasing competition."

Subscription income rose by £35m to £278m last year and investment income was £17m.

Local authorities slow to decide oil strategies

BY IAN HARGREAVES

BRITAIN will take several years to develop a coherent framework of licensing and planning permission for its onshore oil activity, according to a study published today by Capital Petroleum Services.

The report, a comprehensive analysis of all aspects of the onshore oil and gas scene, says that so far only two county authorities – Hampshire and Dorset – have incorporated planning guidelines for oil developments into their structure plans.

Three other counties – East Sussex, West Sussex, and Shropshire – have proposed revised structure plans, but they have not yet been approved by the Government's Environment Secretary.

The procedure for developing onshore oil and gas in Britain is that a company must first obtain both a government licence and then local authority planning permission.

That, the oil companies complain, has resulted in planning delays and confusion over which areas of the country are, in effect, "no-go" zones for oil drilling.

The report warns, however, that government policy in this area "still appears to contain a number of ambiguities; *it will probably* take several more years before a really coherent framework of policies has evolved."

Much will depend, the report says, on the Government's response to the modified structure plans.

In particular, the authors regard as a test case the structure plan modifications proposed by East Sussex, which wants to bar oilfield developments not only in protected areas such as sites of ancient monuments, but also from all open downland and heathland. A government response to that proposal is expected later this year.

UK Onshore Oil and Gas. Paul Foulsham. Capital Petroleum Services, North House, 31 North Street, Carshalton, Surrey SM 5 2 HW. £750

TECHNOLOGY

EDITED BY ALAN CANE

The hologram catches a marketing man's eye

Peter Marsh reports on a U.S. publisher's plans to use holograms to boost sales of romantic novels

THE CITIZENS of Brunei, a tiny state in the Far East, and the readers of historical romances published by Zebra, a company in New York, may feel they have little in common.

Both sets of people will, however, soon have in their possession small holograms made by the American Banknote Company of New York, a company best known for printing paper currency in use in about half the countries of the world.

The holograms, three-dimensional "photographs" of items stamped onto thin sheets of *material* and which are very difficult to reproduce, are being used to guarantee the authenticity of passports issued by the Brunei Government.

The rulers of Brunei, which has a population of 225,000, are worried about forgeries of passports by illegal immigrants. The incorporation in the documents of a small hologram—which shows, in three dimensions, a brightly coloured depiction of a mosque—should make these items virtually impossible to *copy*

In the second application, Zebra is to buy 2m holograms a month for reproducing on the covers of its books, of which some of the best known are works such as Stolen Ecstasy, Texas Torment and Rapture's Tempest.

The book company—whose authors include Catherine Creel, Jannello Taylor and Elaine Barbieri—is turning to holograms mainly as a marketing gambit to make its products more appealing to shoppers as they browse through the bookshelves.

American Banknote entered the hologram business about three years ago. The initial application was in making the devices for fixing to plastic cards issued by banks and credit organisations, in efforts to counter card forgeries.

The company, together with its British subsidiary Bradbury Wilkinson, which is based in New Malden, Surrey, has made rapid strides in this area. It has produced about 300m holograms each no bigger than a postage stamp and costing a few pence. They have appeared on credit cards issued by MasterCard and Visa and by the Committee of London Clearing Bankers.

American Banknote now hope to convince companies of the uses for holograms in product labelling. It sees great applications for holograms both to improve the appearance of *packaged* products and to guarantee the authenticity of goods such as jewellery, pharmaceuticals and *fashion* wear that are easy to counterfeit.

A growing number of manufacturers is worried about counterfeit products which are costing the companies large sums of money in lost sales. In countries in, for example, Asia *and Africa small bands* of forgers have set up workshops to turn out copies of well-known brands of goods.

A small British company, Applied Holographics of Braxted Park, Essex, is attempting to sell holograms in similar applications — though the technology it uses to make the devices is very different.

A hologram is the result of the *physical* interaction, called interference, between two sets of light waves, both of which originate from a source of coherent *light (in which* all the radiation has the same wavelength) such as laser.

One set of waves, called the object beam, is scattered from an object whose characteristics are to be "photographed." The scattered radiation interferes with the second set of waves, called the reference beam, on the surface of a plate covered with a chemical emulsion.

After *development, in a process* similar to the treatment of a chemical film in photography, the emulsion becomes a hologram which captures in three dimensions an image of the object. This image can later be recreated by shining onto it light of suitable wavelengths.

In most holograms in general use—the kind seen on credit cards, for example—the images are seen when the devices are illuminated with ordinary (white) light, which includes all the wavelengths of the visible part of the spectrum.

American Banknote keeps to itself the details of its hologram-production process, for fear of giving away secrets.

Up to four years ago, the company had no knowledge of making holograms. It acquired the expertise in a systematic way, by purchasing two companies and a package of patents that gave access to vital production aspects of holography.

American Banknote bought Eidetic Images of California, which had skills in optics. As a result, Dr Ken Haynes, a leading scientist in holography who worked for Eidetic, gained employment with the New York company.

A second acquisition was Old Dominion Foils of Richmond, Virginia, which brought to American Banknote know-how of production processes involving optical devices. American Banknote also bought patents taken out by engineers at Holotron and Hologonics, two companies which had pioneered holography in the early 1970s and then had ceased to trade.

In American Banknote's production process, engineers with a system of optics make a "master" hologram on a metal plate after it has first been created on a chemical film.

Microscopic deformations in the surface of the plate are responsible for the storage of three dimensional information about the object.

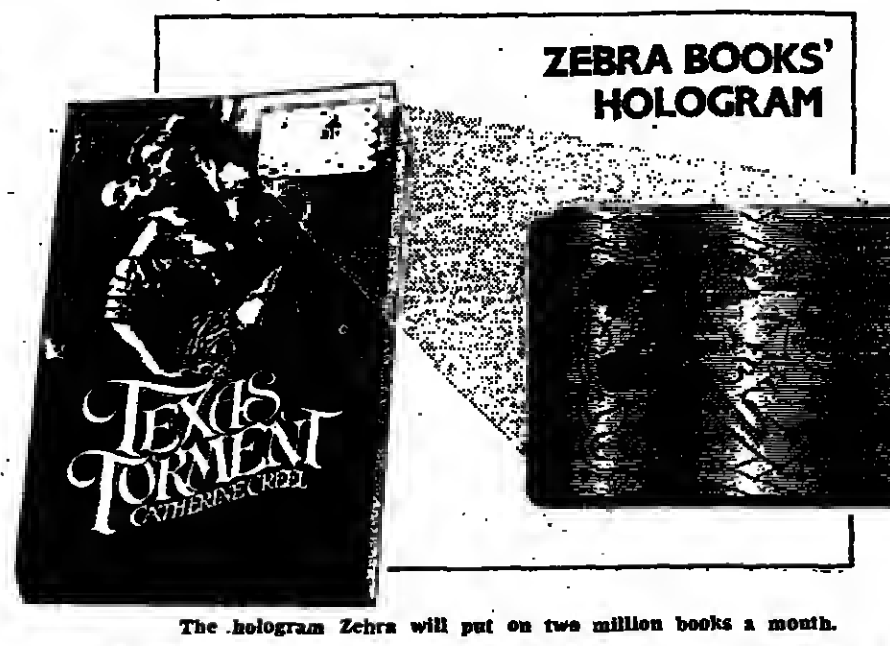
The plate is then used to stamp out a *series* of duplicate *holograms* in extremely thin aluminium foil. The foil is then transferred to the surfaces of products such as bank cards (see panel). The same technology is used to fix the holograms to packages, passports and to book covers.

American Banknote says that by this mechanism holograms can be made very cheaply at the rate of hundreds a second.

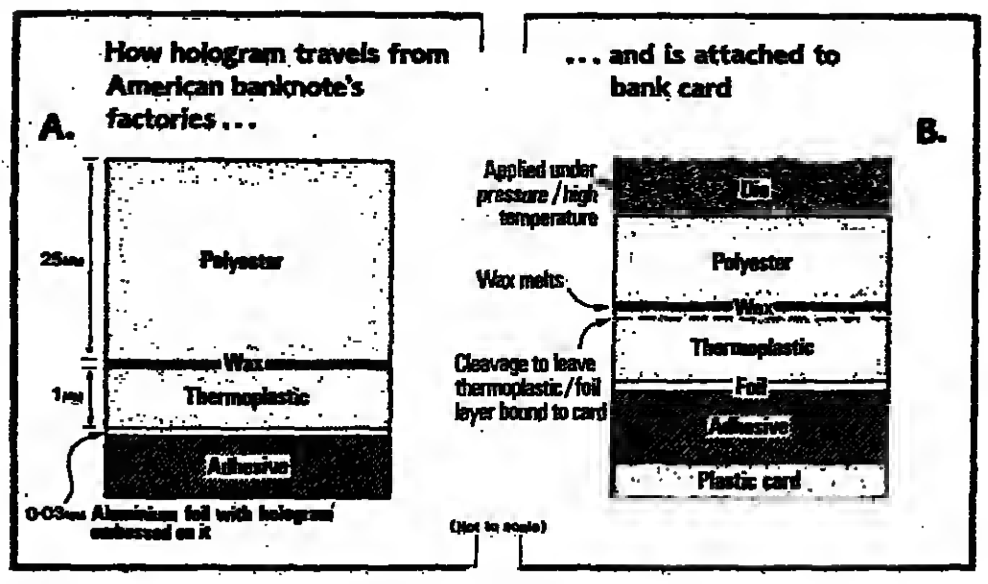
In Applied Holographics' technique, a special £200,000 machine called a Holocopier pumps laser light into a chemical film about 6 micrometres thick after the light has first been scattered by an object. The The three-dimensional information is recorded as a series of light and dark layers within the film (this page, May 24).

According to the Essex company, its holograms are harder to copy than similar devices.

American Banknote says that its holograms are based on tried and tested technology and that *as far as it knows no one has* made a successful forgery of one of its holograms used on a bank card.



The hologram Zebra will put on two million books a month.



How to prepare a hologram sandwich

AMERICAN BANKNOTE uses an ingenious process to *transfer holograms from* its own plants to factories run by other companies that, for instance, make plastic banking cards.

The holograms, each probably no more than a few centimetres square, are stamped onto thin aluminium foil from a master hologram on a metal plate. The latter *contains* a series of microscopic indentations. The process is similar on principle to the embossing of letter heads on paper.

The foil itself is only 30 nanometres (30 billionths of a metre) thick. During the embossing process, it is carried on a much thicker layer *of material* (mainly polyester) which is 25 micrometres in dimensions. By this method, the aluminium can be indented *in* a practical manner.

To complete the process, a thin layer of adhesive is applied under the aluminium, which by now is a hologram identical to that on the master plate.

The *total* "sandwich" thus contains a layer of carrier (which is made from layers of polyester, wax and thermoplastic) with the aluminium foil fitted between a layer of adhesive (see diagram A).

A long roll of this material, containing perhaps 20,000 holograms, is shipped from American Banknote's factories to workshops run by a packaging or plastic-card company.

At these *workshops*, a second, much simpler, set of operations takes place. The material to which the hologram has to be fixed is slid under the roll of composite substances. A die is applied *to the* top and the *whole* sandwich is heated.

As a result, the aluminium adheres to the material and the wax melts, causing the top layer of polyester to part from the rest of the sandwich and be discarded.

That leaves the final form of the hologram comprising the aluminium with a layer of thermoplastic (about 1 micrometre thick) on top. The latter is transparent and acts as a *shield* to *protect* the foil from damage (diagram B).

Factories run by card companies have in this way fixed to their products about 300m holograms made by American Banknote.

According to the U.S. company, exactly the same process would be required in sticking thin holograms on foil to other items such as stationery or packaged goods.

New men at Paris space agency

THE PARIS-BASED European Space Agency has set up three new directorates in areas of space technology. Mr Philip Goldsmith, currently a director of the UK Meteorological Office, will take take charge of a new ESA division concerned with remote sensing of the Earth and microgravity experiments.

Mr Giorgio *Salvatori* of Telespazio, the Italian telecommunications organisation will become director of telecommunications, and Dr Fredrik Engstrom, a Swedish delegate to ESA's governing council, will head a division that is to plan Western Europe's involvement with the U.S. manned space station.

WP software for maths

SCIENTISTS and textbook authors can now do mathematical word processing using software by Quartz of Basingstoke and a Uniplex word processing system.

The new version enables Greek symbols and special characters to be manipulated, edited and printed on a Uniplex computer system. Comprehensive subscipt, superscript and overstrike capabilities are provided, and users can *create* their *own* mathematical shorthand.

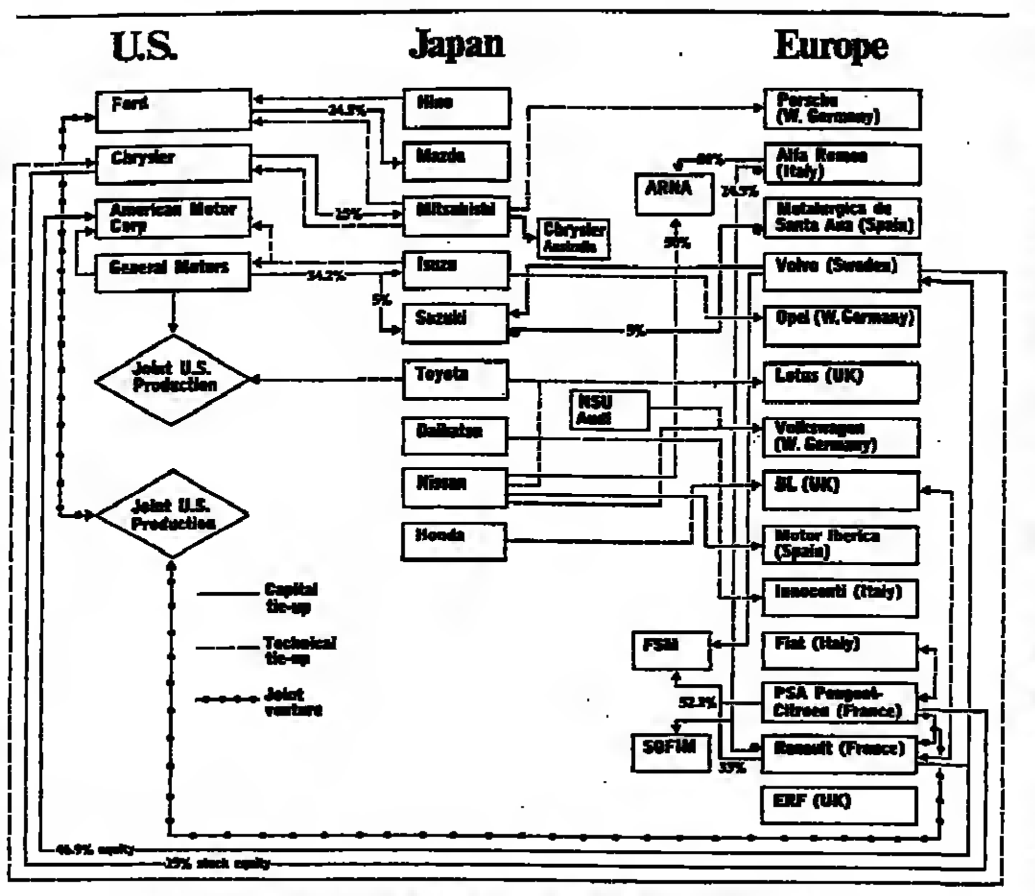
Propagating rare orchids

MICROPLANTS, a company in Longnor, near Buxton, Derbyshire, has won an award from the Royal Horticultural Society for growing orchids through micropropagation, a technique with which scientists can produce exotic plants through a series of cell-culture methods.

The Lindley metal was awarded for the company's work in growing Disa Uniflora, a rare South African orchid.

THE MANAGEMENT PAGE

EDITED BY CHRISTOPHER LORENZ



Kenichi Ohmae's view of international relationships in the automobile industry

How the Triad forces the pace

David Bell reviews a book on the combined might of Japan and the West

THIRTY-EIGHT years ago Soichiro Honda was a subcontractor to Toyota employing a princely 25 people. Every morning before work he climbed onto a tangerine hox to address them. His message was always the same: "We will become global. We've got to become global."

And that, says the Japanese author of a fascinating new book, Triad Power, should be the motto of every self-respecting industrialist in the Triad — Japan, Western Europe and North America. The alternative is destruction at the hands of those companies which have learned how to operate as "insiders" in this giant market of 600m people, a market which accounts for 54 per cent of world GDP.

The old model of a multinational, he says, is out of date. The high costs of R and D, tha extreme swiftness with which the competition now reacts to new high-tech products, the similarities of public tasta across the devoloped world — all compel companies to adopt a new strategy. The markets of the "Triad" have to be attacked simultaneously, products have to be designed and made *from the start* for a world market.

If necessary, now cross-company alliances have to be forged to do this and to enabla companies to keep up with ultra-rapid technological change. Companies that are foolish enough to think only of national, or even regional, markets are doomed.

This is why product designers from Japanese companies like Sony roam the world for six months out of every year shaping each new product for simultaneous launch on a world stage. (The inspiration for tho Walkman, for instance, came from California.) Ever more capital intensive techniques can turn out these products in such awesome quantities that only the Triad is a large enough market for an edequate return on sales. Across the world, says Kenichi Ohmae, the author, "a company's ability to sell high volumes of non-differentiated products at the lowest cost to the end user has becoma the key factor for survival."

Ohmae insists that there is nothing at all magical about Sony or so many othar Japanese companies. Contrary to the received wisdom, he says, competition in the Japanese domestic market is so fierce that companies have been compelled continuously to hone their production and marketing skills just to survive. Armed with these skills they have scarcely been able to believe the ease with which they have carried so much before them in the rest of the Triad.

Take, for example, the motorcycle husiness. Japan's fledgling bike makers "never thought the fighting would be so easy." They expected companies in the UK and elsewhere to attack them at home, to improve production or to forge alliances with other Japanese companies. Instead the non-Japanese companies "fell into a vicious cycle, giving up their main segments, concentrating on relatively peaceful niches, confining their activities to the domestic market and repeating the 'cost reduction and removal of overhead' cycle." It was, says the anthor, rather lika the British capitulation in Singapore.

So far nothing has succeeded like success. Nissan and Toyota now claim to be about twice as productiva as their nearest rivals while the whole Japanese motor industry is said to employ fewer people than GM. Labour accounts for a mere 5 per cent of the cost of some of the latest generation of Japanese electronics products. Yamazaki, the machine tool company, and Fujitsu Fanuc, the robot company, can hreak even at only 10 per cent capacity utilisation.

Yet from now on life inside the Triad may gat much harder for Japanese companies. Ohmae, who is managing director of McKinsey's Tokyo office, says that a variety of factors—most important tha risk of protectionism — are presenting some Japanese manufacturers with major problems. For example, Toyota has, until recently, made all its cars within a 20 km range of Toyota City in Aichi. But now the pressure is on for it, and a host of other Japanese companies, to produce overseas.

Ohmae is doubtful that these companies' unique management approach is "transportahle." So far, he says, "there is no evidence that the Japanese can run a sizeable company in OECD countries." International operations have traditionally had a low status in many Japanese companies and the Japanese preference for an "ebsence of codified management systems" may prove seriously embarrassing in the future.

The successful Japanese Triad companies are aware of this, he says, and are already adjusting to the fact that they cannot become insiders in avery market on their own. Instead they are forging "strategic alliances." The "current trend is for distant competitors to merge and share functions such as R and D and production." The extent of these links—in cars, computers, robotics, bio-technology and aero-engines — is graphically illustrated in a series of charts, one of which is reproduced here.

Consortia, joint ventures, technical tie-ups — all allow companies to "supplement each other's functional strengths," to stay abreast of leading edge technologies to attack all markets at once and to become "insiders" all over the Triad. But, he warns, companies should not forge alliances with allies who "are too close or in your own triad region." Distant foes are likely to be the best friends; most European transnational mergers have failed because "they involved links between similar companies which ended up by hating each other."

Japanese companies are not the only ones (viz Olivetti, Philips) to have grasped this, but they are at the centre of most of the tie-ups which Ohmae identifies. And all too often, for all Ohmaa's honeyed words, they seem like Trojan Horses, getting much more than they receive in return from these deals. The author insists that Japanese companies genuinely want partnership, not control. Non-Japanese companies like IBM have prospered in Japan and are as much "citizens of the Triad" as any Japanese group. Non high-tech companies like Unilever, Nestle and Coca Cola have forged a very strong position all over the Triad, a position buttressed by the strength of their brand names.

Yet in the "lesding edge" sectors the Japanese advance casts a much longer shadow than he seems prepared to admit. European or American companies which want to compete face a formidablo task in merely getting up to Japanese speed.

Ohmae would no doubt bitterly resent any suggestion that he is an apologist for Japanese "expansionism." But his book seriously understates the magnitude of the Japanese challenge in certain key sectors and glosses over the extent to which the relationships which the Japanese form are often one-way, and fudges the crucial longer term issue of who will really benefit from cross-company deals.

Is Honda's deal with BL, for example, a sensible partnership between "distant foes"? Or is it another step in tho strategy expounded on a tangerine box nearly 40 years ago? When Honda has used its relationship with BL to become an "insider" in the European leg of the Triad how much leverage will BL still have?

Triad Power, by Kenichi Ohmae. Collier MacMillan, £25

Packaging in China

The problems of putting over the USP concept

BY ANNA PARKINSON

SUPPLYING consumer goods to the West is a particularly attractive prospect to the Chinese, not just for gain, but for what, in the Chinese view, is fitting reparation for years of exploitation of China by the Imperial powers. So far the main consumer export to the West has been in Chinese medicinal products. There is an eager market, consisting mainly, it is true, of overseas Chinese, for such products as "Healthy Brain Pills" and "Teal Tonic Essence," whose awesome ingredients include: teal—flesh of the water fowl; Radix astralagi; Herba eclipta prostratae; and Fructus Ligustri Lucidi.

Brand names for products—such as "Flying Pigeon"—may lack impact, but these are not the only marketing problems the Chinese have to contend with. The "science" of packaging and advertising as it has been developed in the West is one of which they are almost entirely innocent. Although there are many Chinese export magazines advertising the whole range of goods from every part of the country in both English and Chinese, in practice they are markedly reluctant to learn from the West how the West sells.

This is confirmed by Robert Williamson, a Canadian-born packaging designer, who runs his own business in London, and who set out to teach the Chinese how to market a product for tha Western consumer.

In 1974, Robert Williamson was walking past the Chinese Embassy in London when he decided, on impulse, to drop in and offer them some help. As a professional packager his eye had been caught by some of the Chinese goods he had seen on display and he felt they could be improved. His favourite was a Chinese pack of playing cards he had seen called "Maxipuke." (The characters "Pu" and "Ke" are a natural transliteration in Chinese of "Poker").

Williamson had a three-hour interview with the commercial attaché, during which ho explained and illustrated his point of view and offered to come to China to teach Western techniques of packaging design.

The response to his offer was relaxed; he did not get a reply for two years. However, in 1979, he was allowed to pay his own way to China and lecture for two weeks to members of tha Shanghai Export Commodities Packaging Corporation. His hosts made it clear to him that they did not regard him as somebody important. Indeed, they failed to meet him when he arrived and he was put, just for one night, and until they realised their mistake, into a hotel for important people. Nevertheless, Williamson had a favourabla impression of the Chinese eagerness to learn, and even thought that some Chinese packaging, like one packet which opened from the bottom and had "Thank You" printed insido the flap, might have something to teach him.

Selling message

By 1982, China was clearly more anxious to communicate with the West. That year, tha Shanghai Advertising Corporation sent Williamson films of all their shoe and alipper advertising material, asking him whether it would be suitable for the British market. How, they wanted to know, could they improve their "selling message?" Again, Williamson offered to come and teach them. Again, the Chinese agreed if he would pay his own way.

This time. Williamson persuaded six British advertising companies to sponsor him. "The biggest Communist city in the world is asking for help to turn themselves into raging capitalists," he told them, "and I think we should help." One of the advertising agencies, Collet Dickenson Pearce, sent the Chinese its complete award-winning campaign for Clark'a shoes.

The other agencies provided videos of all their television advertising materlal to reinforce Williamson's lectures, which would be aimed at teaching the Chinese the concept of the Unique Selling Proposition. Basically, that means that in the West you sell a product on its unique quality, and if it has not got one, you invent one. It is known as selling "the sizzle in the sausage."

When Williamson arrived at Hangzhou airport in October 1983, customs officials seized his videos and one of them was confiscated. "Something to do with women," he was told later. The Unique Selling Proposition turned out to be a difficult idea to convey to his audience of 40 senior executivea from the Shanghai Advertising Corporation.

Chinese advertisements are different. One, for pears from Tianjin, in the north of China, seeks to prove, with slavish detail, that Tianjin pears are . . . well, just like every other pear. "Thirst-quenching and cough-relieving," the advertisement says in English "They contain 87 per cent water, 10-11 per cent soluble fructose, starch, carbohydrate and vitamins."

Tho picture of a gold cigarette packet among emblazoned pyramids, which Williamson showed, baffled his audience. Where, one of them wanted to know, was the Unique Selling Proposition in that? Williamson found the reasoning hard to explain to the representatives of a nation who consider the finest cigarette in the country to be the one Deng Xiao Ping smokes: "Panda" brand.

Tha final blow to Western marketing theory came after Williamson had lectured for four days on USP. A particularly studious member of his audience got up to ask him: "Please, where is grammatical element in Unique Selling Preposition?"

Williamson did leave one legacy behind. He designed a simple logo for "Warrior" tyres incorporating a picture of a tyre into the "O" of "Warrior." His hosts were delighted, but bewilderment quickly followed when he announced that he would waive his customary fee for the job of 2,000 yuan (ebout £650) which is more than two years' salary in China. Nevertheless, they gave him a gold medal when he left. The gold is beginning to wear off, but the medal will have to last. He says it will be a long time before he goes to Shanghai again.

THE PROPERTY MARKET BY WILLIAM COCHRANE

David v Goliath at Cribbs Causeway

A DAVID and Goliath battle was developing in reail property this week as Prudential Assurance, Britain'a largest life insurance group, sought planning permission to build a 500,000 sq ft retail park with leisure and entertainment facilities at Cribbs Causeway, seven miles north of Bristol.

The "Pru," advised on planning by Drivers Jonas, say that Marks and Spencer is actively considering the largest of the retail units, a centrally situated 150,000 sq ft building, in accordance with its current policy of opening new stores on ont-of-town sites.

M & S'a choice of Cameron Hall's MetroCentre in the Gateshead Enterprise Zone for its first out of town unit has turned this development into a 1m sq ft plus retailing phenomenon.

However, the insurance company's 41-acre site borders on the 150-acre Cribbs Causeway East site, owned by local developer Mr Jack Baylis who is already putting 175,000 sq ft of convenience retailing on bis land—a DIY Superstore, a Homecentre and a new Antocentre, all for B & Q, and a 45,000 sq ft "children's superstore" for Toys R Us, the American retailer.

Mr Bayliss say that he, too, has Marks & Spencer interested, in a 160,000 sq ft store, and that he will he applying for planning permission to increase the shopping content nf Cribbs Causeway East.

Peter Spriddell, property director of Marks & Spencer, says that bis company is certainly interested in the area generally. "We'll just have to wait and see which scheme is more suitable for us in the final analysis," he remarks.

Marks & Spencer is actively looking for other locations, where, like Bristol, it believes that ont of town shopping will complement and supplement that in the city centre. Its development link with Tesco has already led to some progress with a site at Cheshunt, Essex.

The competition for M & S's interest may present problems for Northavon District Council, the local planning anthority.

The "Pru" and Mr Bayliss presently have planning permission for 160,000 sq ft and 200,000 sq ft of retailing respectively. The rise of the "Jumbo Park," as this form of out of town, ronvenience durable retailing is called in the U.S., is perceived as a threat to conventional shopping, and one of the major issues facing the UK property industry.

The *Drivers Jonas* view on planning is that Northavon should find tho scheme very exciting, although at first sight it may be contrary to their policies.

Sears to fund part of St Enoch

SEARS HOLDINGS, Britain'a biggest retailer in terms of outlets is to put in half of tho predominant, £57m private, sector funding element for the £63m, 260,000 sq ft St Enocb shopping development in Glasgow's city centre.

The funding also includes £3½m from Strathclyde Region, primarily to fund parking facilities, and £1½m from the Scottish Development Agency for site preparation. The Church Commissioners are Sear's funding partner in the major element.

Geoffrey Maitland Smith, chairman and chief executive of Sears, said yesterday that the group's Lewis's department store in Argyle Street, which, will now be incorporated into the scheme, was the key to its initial interest.

"We also saw St Enoch as the last opportunity to get into city centre retailing development in this country; we think that the scheme is a natural for us, and will be pntting in eight other units as well." The gronp, of course, is broadly spread in retailing with shoe shops, Olympus Sports and jewellers Mappin and Webb as just part of its range.

He also *made it clear* that the group, founded by the late Sir Charles Clore, was not thinking nf going back into property development and investment in a hig way.

TW explains

CRITICISED e week ago for its £42m rights issne, primarfly to finance its expanding property investments, Taylor Woodrow says that its Taylor Woodrow Property subsidiary's current development programme is valued at £160m in the UK, of which approximately one third is being financed from group resources

TWP managing *director* Peter Hedges thinks that the property sector could well be heading for a growth phase, and is seeking to expand further. At the moment, with Eagle Star, TWP is starting work on a £33m, 250,000 sq ft shopping development in High Street, Hounslow, with an 87,000 sq ft Debenhams as the anchor.

● Arlington Securities has *funded its proposed* 26 acre business park at Frimley, at Junction 4 of the M3 motorway, with PosTel in a £20m deal.

● MEPC has paid over £4m for a 4½ acre site at the A329(M) junction one mile from the M4 in Maidenhead. In association with Beacontree Estates, it has planning permission for a two-phase, 118,000 sq ft high tech development with a 50 per cent office content.

● Ravenstone Securities has let its 9,550 sq ft re-modelled building at 123, Blythswood Street, Glasgow at rents between £6.50 and £6.75 a foot. Letting agents Edward Erdman will be selling the completed investment.

● Project management notes: Capital and Counties is to manage an £18m office, shop and residential development at 31-47 Victoria Street, SW1, for the Crown Estate Commissioners, following tho recent completion of a similar mix, for the same client, in Oxford Street, W1; the NFC Property Gronp is to manage a new 120,000 sq ft warehouse and distribntion depot *project*, and a 12-acre site in the Trafford Park Enterprise Zone, Manchester. The premises will be used for the the relocation of BRS's extensive dedicated distribntion scheme for Kelloggs in the North of England.

● The Courtaulds Pension Fund reckons that it has scored a notable first by buying a batch of 12 Payless DIY warebouses from Marley for £9.1m on a sale and leaseback basis. Advised by Hillier Parker, Conrtaulds is getting 285,000 sq ft of selling space, an annnal rent of £975,000 averaging £3.42 a sq ft and a net initial yield of 10.3 per cent.

● Provident Mutnal bas paid £1.1m for a 35,000 sq ft industrial investment next door to its 448 Centre at Reading. Advised by King & Co, Provident is getting an initial yield of about 9 per cent. Vendors were the W. R. Grare Pension Fund, advised by Weatherall Green & Smith.

● Exceptional activity and very strong demand feature in Lambert Smith's June 1985 report on the Glasgow office market.

Infotech and office location

NEW YORK University professor Mitchell Moss set the cat among the pigeons in London this week. Large cities served by long-distance fibre optic networks, he said, would be strengthened, not weakened hy developments in telecommunications; these, he said, would weaken the ability of small outlying areas to attract the business commnnity.

Speaking at the Landtronics conference on the impact of information technologies on land use requirements and the development process, he also beld that new technology had turned values literally upside down: "In many buildings the rooftop has replaced the ground floor in terms of real estate value," be said, alluding to the increased use of satellite and microwave dishes at office rooftop level.

Professor Moss had a sop for the propoonents of decentralisation. "There has been a gradual decoupling of front and back office operations in most information intensive firms," he said. "The back offices . . . have been moved out of prime central city real estate to lower cost locations, either to the periphery of metropolitan areas or to regions which offer comparative advantages in labour, energy, and/or amenities."

Condominium route for Zeckendorf

LEADING New York real estate developer Bill Zeckendorf, Jnr, is taking the con*dominium route*—owner *occu*pation on a floor by floor basis—in marketing his new, 24-storey Delmonico Plaza office tower at 55, East 59th Street, in Manhattan.

He was prompted, he says, by trends to condominium ownership in France, Germany and Italy. He says that the building was constructed with thia form of ownership in mind; and that while, in the U.S., condominium office ownership bas sprung up in suburban locales—specifically in Alexandria, Virginia, in California and in Westchester close to New York—that Delmooico Plaza is a first for New York City.

"To the hest of my knowledge," be said from New York this week, "no otber major new office building in New York is 'golog condo' at the present time." Delmonico Plaza is well located between Park and Modison Avenues and the building has now been completed.

The floors, ranging from 7,500 to 14,000 sq ft within an office unit total of 262,575 sq ft, are selling for between US$325 and US$ 450 a foot against a comparable reotal of $40. Mr Zeckendorf deemed return of 10 per cent, says that the buyer gets a tax benefits and ownership—" the biggest item is the potential appreciation in value."

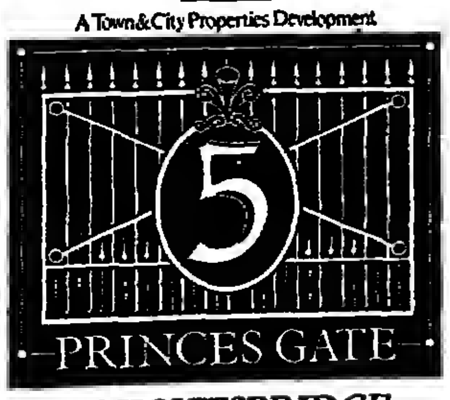
Zeckendorf and bis co-managing partner Sheldon Williams, plus a savings and loan institution involved as an investment partner in the development, get a gross sale price of $104m (£82m) on an outlay of $80m. The outlay was funded, he says, by partners' equity and a construction loan from Manufacturers Hanover.

The Zeckendorf Company bas already advertised the fact that floors (three each, according to Mr Zeckendorf) have been taken by Christie's, the auctiooeers, and the West German BHF Bank.

Things have moved on from there. Two Swiss companies have taken a floor eacb; two half-floors have gone to domestic owner-occupiers; and Mr Zeckendorf himself is taking the 7,671 sq ft 23rd floor.

That makes ten. He also says that negotiations are in hand with two other domestic users, one for a single floor, the otber for two. "There has beeo a great deal of interest from Germany," he notes, "triggered probably by the BHF Bank's decision to come in."

The Bank, and Christie's were offered "some inducements" to anchor the marketing programme. "These were not major," says Mr Zeckendorf, "less than they would have been offered to move into New York on a rental basis."



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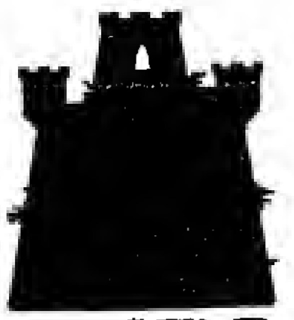

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Company Notices

De Beers Consolidated Mines Limited

Incorporated in the Republic of South Africa

NOTICE TO HOLDERS OF PREFERENCE SHARE WARRANTS TO BEARER

PAYMENT OF COUPON NO. 152

With reference to the notice of declaration of dividend advertised in the Press on 25th May 1985, the following information is published for holders of share warrants to bearer.

The dividend of one rand (R1.00) per share was declared in South African currency. South African non-resident shareholders' tax at 11.682 cents per share will be deducted from the dividend payable in respect of all share warrant coupons leaving a net dividend of 88.318 cents per share.

The dividend on bearer shares will be paid on or after 2nd August, 1985 against surrender of coupon No. 152 detached from share warrants to bearer as under:—

(a) At the offices of the following continental paying agents:

L'Europeene de Banque
21 rue Laffitte
75428 Paris

Banque Bruxelles Lambert
24 Avenue Marnix
1050 Brussels

Societe Generale de Banque
3 Montagne du Parc
1000 Brussels

Credit Suisse
Paradeplatz 9
8021 Zurich

Union Bank of Switzerland
Bahnhofstrasse 45
8021 Zurich

Swiss Bank Corporation
1 Aeschenvorstadt
4002 Basle

Banque Internationale a Luxembourg S.A.
2 Boulevard Royal
Luxembourg

Payments in respect of coupons lodged at the offices of a continental paying agent will be made in South African currency to an authorised dealer in exchange in the Republic of South Africa nominated by the continental paying agent. Instructions regarding disposal of the proceeds of the payment so made can only be given to such authorised dealer by the continental paying agent concerned.

(b) At the Securities Department of Hill Samuel & Co. Limited, 45 Beech Street, London, EC2P 2LX. Unless persons depositing coupons at such office request payment in rand to an address in the Republic of South Africa, payment will be made in United Kingdom currency either:

(i) in respect of coupons lodged on or prior to 26th July 1985, at the United Kingdom currency equivalent of the rand currency value of their dividend on 1st July 1985, or

(ii) in respect of coupons lodged after 26th July 1985, at the prevailing rate of exchange on the day the proceeds are remitted, through an authorised dealer in exchange in Johannesburg to the Securities Department of Hill Samuel & Co. Limited.

Coupons must be left for at least four clear days for examination and may be presented any weekday (Saturday excepted) between the hours of 10.00 a.m. and 3.00 p.m.

United Kingdom income tax will be deducted from payments to any person in the United Kingdom in respect of coupons deposited at the Securities Department of Hill Samuel & Co. Limited, unless such coupons are accompanied by Inland Revenue non-residence declaration forms. Where such deduction is made, the net amount of the dividend will be the United Kingdom currency equivalent of 70 cents per share arrived at as follows:

	South African Currency Cents Per Share
Amount of dividend declared	100.000
Less: South African non-resident shareholders' tax at 11.682%	11.682
	88.318
Less: U.K. income tax at 18.318% of the gross amount of the dividend of 100 cents	18.318
	70.000

For and on behalf of
ANGLO AMERICAN CORPORATION OF SOUTH AFRICA LIMITED
London Secretaries
J. C. Greensmith

London Office:
40 Holborn Viaduct
London EC1P 1AJ

21st June, 1985

NOTE:

The Company has been requested by the Commissioners of Inland Revenue to state:

Under the double tax agreement between the United Kingdom and the Republic of South Africa, the South African non-resident shareholders' tax applicable to the dividend is allowable as a credit against the United Kingdom tax payable in respect of the dividend. The deduction of tax at the reduced rate of 18.318% instead of the basic rate of 30% represents an allowance of credit at the rate of 11.682%.

De Beers
De Beers Consolidated Mines Limited

AFRICAN AND EUROPEAN INVESTMENT COMPANY LIMITED

(Incorporated in the Republic of South Africa)

NOTICE TO HOLDERS OF PREFERENCE STOCK WARRANTS TO BEARER

PAYMENT OF COUPON No. 75

With reference to the declaration of dividend announced on 5th June, 1985, the following information is published for the guidance of holders of stock warrants to bearer.

The dividend of 3 cents per unit of stock was declared in South African currency. South African non-resident shareholders' tax at 0.45 cents per unit of stock [illegible]

[illegible]

	South African Currency Cents per Unit of Stock
Amount of dividend declared	3.00
Less: South African Non-Resident Shareholders' tax at 15%	0.45
	2.55
Less: U.K. income tax at 15% of the gross amount of the dividend of 3 cents	0.45
	2.10

For and on behalf of
ANGLO AMERICAN CORPORATION OF SOUTH AFRICA LIMITED
London Secretaries
J. C. Greensmith

London Office:
40 Holborn Viaduct,
London EC1P 1AJ.

21st June 1985

NOTE:
The Company has been requested by the Commissioners of Inland Revenue to state:
Under the double tax agreement between the United Kingdom and the Republic of South Africa, the South African non-resident shareholders' tax applicable to the dividend is allowable as a credit against the United Kingdom tax payable in respect of the dividend. The deduction of tax at the reduced rate of 15% instead of at the basic rate of 30% represents an allowance of credit at the rate of 15%.

AAC

JOHANNESBURG CONSOLIDATED INVESTMENT COMPANY, LIMITED

(All companies incorporated in the Republic of South Africa)

GOLD MINING COMPANIES' DIVIDENDS

The following final dividends have been declared in respect of the financial period ending 30 June 1985.

Companies	Dividend number	RSA cents per unit of stock or per share
Elsburg Gold Mining Company Limited	23	6.5
The Randfontein Estates Gold Mining Company, Witwatersrand, Limited	100	800
Western Areas Gold Mining Company Limited	39	10
Last date for registration		9 August 1985
Registers close (dates inclusive)	from	10 August 1985
	to	16 August 1985
Currency conversion date (for payments from London)		23 August 1985
Date of payment		6 September 1985

These dividends are payable subject to the customary conditions which may be inspected at or obtained from the Companies' Johannesburg office or from the London Secretaries, Barnato Brothers Limited, 99, Bishopsgate, London EC2M 3XE.

Holders of share warrants to bearer issued by The Randfontein Estates Gold Mining Company, Witwatersrand, Limited should attend to the terms of a notice to be published by the London Secretaries late in August 1985.

By order of the Boards
JOHANNESBURG CONSOLIDATED INVESTMENT COMPANY, LIMITED
Secretaries
per: D. J. Barrett

Head Office and Registered Office:
Consolidated Building
Cor. Fox and Harrison Streets
Johannesburg 2001
P.O. Box 590, Johannesburg 2000
20 June 1985

PRIVREDNA BANKA ZAGREB

U.S.$50,000,000 FLOATING RATE NOTES DUE 1986
"The Notes"

Credit Lyonnais, as fiscal agent in respect of the notes, is now in receipt of funds in respect of:

1. The principal due for redemption of the Notes, the serial numbers of which were published on 20th November 1984 and which remain outstanding, of which the due date for redemption was 20th December 1984.
2. The interest due on overdue principal on such Notes from 20th December 1984 to 20th June 1985.

Payment of the above amounts is now available to holders of Notes in accordance with their respective rights of the Notes.

CREDIT LYONNAIS
26a Boulevard Royal
Luxembourg
Fiscal Agent

PROVINCE OF NOVA SCOTIA

U.S.$50,000,000

10¾% Sinking Fund Debentures due 1990

In accordance with paragraph 4(d) of the terms and conditions of the above Debentures we hereby advise that all sinking fund requirements for the above issue have been satisfied by purchase on the open market.

Issued on behalf of the Province of Nova Scotia by
ORION ROYAL BANK LIMITED
Fiscal and Paying Agent

SOCIETE GENERALE ALSACIENNE DE BANQUE

$ US 20.000.000 FLOATING RATE NOTES DUE 1989

We inform the bondholders that in accordance with the terms and conditions of the notes, SOCIETE GENERALE ALSACIENNE DE BANQUE has elected to redeem all of its outstanding notes on July 18, 1985 at 100%.

Interest on the said notes will cease to accrue on July 18, 1985.

The notes will be reimbursed, coupons n° 13 and followings attached according to the terms and conditions of the notes

THE PRINCIPAL PAYING AGENT
SOCIETE GENERALE ALSACIENNE DE BANQUE
15, Avenue Emile Reuter
LUXEMBOURG

ITO-YOKADO CO., LTD.

(CDRs)

The undersigned announces that as from 28th June 1985 at Kas-Associatie N.V., Spuistraat 172, Amsterdam and at Banque Générale du Luxembourg S.A. in Luxembourg div. cp. no. 27 (accompanied by an "Affidavit") of the CDRs Ito-Yokado Co. Ltd. will be payable with US$1.62 per CDR repr. 5 Dep. Shs. of 10 shs each, US$16.20 per CDR repr. 50 Dep. Shs. of 10 shs. each, US$32.40 per CDR repr. 100 Dep. Shs. of 10 shs. each (div. per record-date 02.28.1985; gross Yen 9.5 p.sh.) after deduction [illegible]

AMSTERDAM DEPOSITARY COMPANY N.V.

Amsterdam, 18th June 1985

BAYER AKTIENGESELLSCHAFT

PAYMENT OF DIVIDEND

[illegible]

BAYER AKTIENGESELLSCHAFT

Leverkusen, 19th June, 1985

TRAFALGAR FUND

Société Anonyme
Registered Office: Luxembourg, 14 rue Aldringen

DIVIDEND ANNOUNCEMENT

[illegible]

The Board of Directors

THE INDUSTRIAL CREDIT AND INVESTMENT CORPORATION OF INDIA

US$30,000,000 FLOATING RATE NOTES 1981/1991 UNCONDITIONALLY GUARANTEED BY THE STATE OF INDIA

[illegible]

CREDIT LYONNAIS LUXEMBOURG

EMPEROR FUND N.V.

[illegible]

CITY OF COPENHAGEN

[illegible]

Luxembourg, June 21, 1985.

GROUP INDUSTRIAL ALFA S.A.

[illegible]

CREDIT SUISSE FIRST BOSTON LIMITED
Agent Bank

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SECTION 3
TOWN AND COUNTRY PLANNING
NOTICE UNDER SECTION 26(1)

PROPOSED DEVELOPMENT AT 35-36 BASINGHALL STREET, EC2

NOTICE IS HEREBY GIVEN that application is being made to the Common Council of the City of London [illegible]

THE WHINNEY MACKAY-LEWIS PARTNERSHIP

Date: 18th June, 1985.

UK NEWS

AFTERMATH OF THE JOHNSON MATTHEY BANKERS COLLAPSE

Inquiry urges more supervisory powers for Bank of England

The Chancellor of the Exchqner and the Governor of the Bank of England agreed in December 1984 that a committee should he established, under the chairmanship of the Governor, to consider the present system for supervising banks and whether any early changes in supervisory procedures were called for in the light of the problems which had arisen in Johnson Matthey Bankers.

The members of the committee were: Mr R. Leigh-Pemberton, Governor, Bank of England (chairman); Mr C. W. McMahon, deputy governor, Bank of England; Mr W. P. Cooke, associate director, Bank of England; Sir Peter Middleton, permanent secretary, Treasury; Mr F. Cassell, deputy secretary, Treasury; Mr D. Vander Weyer, deputy chairman, British Telecom and director, Barclays Bank.

The secretary was Mr I. M. Cobhold of the Bank of England.

Robin Leigh-Pemberton: chaired committee of inquiry

THE NATURE OF THE SUPERVISORY PROCESS

"The special characteristics of the system of hanking supervision currently in operation in the UK are its flexible nature and the part played in it hy the co-operation of baoks secured through regular contacts hetween the supervisors and banks' managements," says the report of the committee set up to consider the system of banking supervision.

"We do not helieve that the present system is fundamentally flawed hut we have identified a number of important improvemeots which we believe should he made.

"Continued reliance on a flexihle system has three major implications. First, if the Bank is not itself to carry out detailed inspections of banks' books, it muat be able to rely on the assistance aod co-operatinn of the professional firms who do carry out this task: the bank's auditors.

"Secondly, it requires the continued co-operation of the hanks which are supervised. We believe that the existing high level nf co-operation hetween the hanks and the supervisors can be maintained and that banks will remain responsive to the concerns of the supervisors. The system cannot, however, rely totally on this responsiveness in all circumstancea: the supervisors must have adequate powers to deal with cases where thia co-operation is not forthcoming.

"Thirdly, we helieve that for the proper working of tha present system, it is essential to improve the capacity of the supervisors to exercise the crucial qualitative judgments on the management, the loan book, the adequacy of capital and other elements of the business of the banks which they are supervising.

THE TWO-TIER SYSTEM OF AUTHORISATION UNDER THE BANKING ACT

"The Banking Act provides for the authorisation of a deposit-taking institution either as a recognised bank or aa a licensed deposit-taker. The most important differences are that for recognition as a hank the applicant must demonstrate that it provides a wide range of banking services and possesses a higb reputation and standing in the financial community.

"When the Banking Act was introduced, it was the intention that the two-tier system would allow the Bank to continue its traditional style of superviaion over the major hanks but would give it somewhat greater legal powers over licensed deposit-takers, many of which had not previously been subject to supervision. It was also intended that by hroadly restricting the use of hanking names and descriptions to recognised hanks the system should make the general puhlic aware of the difference of function and/or standing of the institutions within the two tiers.

"Following from this differentiation in the legal framework, the styles of supervision of the two types of institution have developed somewhat differently. Supervision of recognlaed banka takea account of the experience and standing of the institutions and relies considerably on mutual trust and the co-operation of management. The smaller licensed institutions accept and generally appreciate a more direct form of supervision with clearer guidance on the standards expected of them. JMB's position as a recognised bank was a factor in the delay in the supervisors becoming aware of, and reacting to, its growing problems."

The report says the two-tier system created confusion in the public mind and caused difficulties for bank supervisors.

"For all these reasons, we recommend that the Banking Act should be amended to replace the two-tier system with a single authorisation to take deposits. All the powers given to the Bank under the Act would then apply equally to all authorised institutions

"We do not intend that the change to a single tier of authorisation affect to any significant extent the way in which the Bank conducts its supervision of major banks which are soundly run, or its relationship with them. The change will, however, make it easier for the Bank to deal with any problema that may arise in future among what are currently recognised banks.

THE RELATIONSHIPS BETWEEN THE MANAGEMENTS, SUPERVISORS AND AUDITORS OF BANKS

"The management of a bank lies in the hands of ita directors and executives. It is not the function of either the auditors or the supervisors to take over the role of management: they all have their own discrete functions.

"In our view, it is most important that all the directors, not only those in executive positions, involve themselves in a bank's affairs. In particular, non-executive directors should ensure that they are given sufficient information to be able to satisfy themselves that the policy guidelines and aystems approved by the board are heing followed.

"We also believe that this la essential in order that the non-executive directors are able to make a constructive contribution to the direction of the bank's business, including forming their own view of the quality of its lending and other risk asseta.

"Audit committees, which are normally composed largely of non-executive directors, can play a particularly useful role in monitoring the operations of a bank. To do so, however, they must not restrict their activities to matters related to the preparation of the annual accounts. They must become involved in assessing and monitoring the bank'a control systems and receiving reports from both internal and external auditors.

"Banks have haen relatively alow to follow the example of commercial companies and appoint finance directors to their boards. This may be understandable in the sense that all the executive directors are 'financial.' We believe, however, that there is an important role to be played by a finance director who, apart from the managing director and the chairman, will be best placed to take an overall view of the business. It is not an easy role, as the finance director must be prepared to question and challenge the decisions of his colleagues, hut it can be a most important one. JMB had neither a finance director nor an audit committee.

"An audit committee and a finance director share many of the concerns of the external auditors aod the supervisors and can assist them in carrying out their functions. The auditor is required to make a judgment on the totality of the picture presented by a hank's accounts, drawn up by the management, and to certify that they present a true and fair picture of the affairs of the bank and not a misleading one.

"The supervisors must satisfy themselves that the business of the hank is being conducted prudently and that depositors' money is not being put at risk to an unacceptable degree. The work carried out by the auditors can greatly assist the supervisors, particularly where the latter do not, as part of their regular supervisory processes, carry out on-site inspectiona. The auditors will be assisted if they are aware of any concerns or requirements the supervisors may have.

"If the auditors and the supervisors are to be able to assist each other to carry out their respective functions there must be a dialogue between them. This process is at present hindered by the confidentiality constraints on both parties. The auditors of a bank have the same duties under the Companiea Acts as the auditors of other companies.

"The auditors are appointed by the shareholders and report to them. Under present conventions and practices, auditors feel constrained by the duty of confidentiality which they owe to their client not to disclose information to third parties, including the supervisors. The supervisors, for their part, are bound by the confidentiality provisions in Section 19 of the Banking Act from disclosing information obtained in the course of supervision to the auditors.

"Confidentiality constraints on both the supervisors and the auditors can be overcome by obtaining specific permission of the bank concerned for a dialogue to take place. Such permission has been sought and given in certain cases. It could be withheld, however, in circumstances where such a dialogue was very necessary. We recommend that the Bank should, as an interim measure, seek the agreement of all authorised institutions for such dialoguea to take place and should obtain it as a matter of routine from all newly authorised institutions. While a great deal of progress can be made by obtaining the agreement of hanks in this way, we believe that provisions should be included in legislation to remove the confidentiality restraints.

"Concentrations of lending and other exposures to individual borrowers or economic sectors have recently been the most important cause of difficulties in banks. This was true not only in the case of JMB but also in the failures of certain small licensed deposit taking companies in this country.

"Many countries have imposed limits in terms of some measurement of capital on large exposures to individual borrowers or groups of related borrowers. The United Kingdom does not have such legal limits."

The report notes that the bank has a guideline that lending to a single customer should not normally exceed 10 per cent of its assets. But it rejected legal limts as too constricting.

"We agree with proposals put forward by the Banking Supervision Division that each hank should be asked to set out in writing its policy on large exposures aod that this policy should be formally adopted by its board. All exposures (including undrawn commitments and contingent liabilities) above 10 per cent of capital would be reported to the Bank aod closely examined by the supervisors.

"No exposure to a single borrower, or to a group of closely related borrowers taken together, should exceed 25 per cent of capital except in the most exceptional circumstances. The existence of exposure over 10 per cent of capital, would normally require a bank to maintain greater capital resources than would otherwise be required.

"Factors such as a long-standing relationship with the borrower, particular expertise in the type of lending, the overall financial standing of the borrower and he security for the loan would be factors to be taken into account when considering different levela of exposure up to 25 per cent of capital, but would not justify an increase beyond that level.

"Large exposures to borrowers connected with the hank through membership of the same group of companies, by common directors or in other ways, would continue to be particularly closely scrutinised by the Bank and should generally be strongly discouraged.

QUALITY OF ASSETS AND CONTROL SYSTEMS

"Sustaining the quality of a bank's assets is one of the essential factors in ensuring its continued health. Although it is not the supervisors' rola to take individual lending decisions in place of maoagement, the supervisors must always be alert for signs of a deterioration in the quality of a bank's loan book. To complement the information already available to them on banks' loan portfolios, we believe that there are further steps which the supervisors should take to satisfy themselves that banks' control systems, particularly for lending, liquidity and other exposures to risk, are appropriate and are being properly applied in practice.

"Poor controla were one of the roots of the problems which arose at JMB. The size of the bank's loan book had grown very rapidly since 1981 and the systems in place and their operation in practice proved to be complataly inadequate to approve and monitor the volume of lending undertaken. In addition, the administrative processes for taking security against loans were often not properly carried out and the need for provisions not properly identified.

"We recommend that in addition to the regular meetings which the managements of all banks attend at the Bank, the supervisors should from time to time visit each bank. Some visits already take place, more particularly in the licensed sector, but we believe they should be extended to cover all authorised institutions.

"The objective of these visits would not be to carry out a detailed examination of the bank's books but to assess a wider range of the bank's management team and to consider in greater detail the design of the bank's control systems.

"A substantial delay in providing a return at a crucial time was a factor in delaying the supervisors' identification of the acute problems emerging in JMB. Late reporting may be a sign of problems in an institution. We therefore recommend that the Bank should tighten ita procedures for ensuring that all returns used for supervisory purposea are submitted promptly and should consider carrying out an investigation into any bank which fails to provide information within the time allowed.

"We were advised that the Bank has always believed tbat a bank should stnd behind ita subsidiaries and other related companies, especially if those companies themselves take deposits. Its view ia based on the premise that failure to rescue a subsidiary which got into difficulties would quickly cause a loss of confidence in the parent bank itself. This view is acknowledged and accepted by British banks.

"The Bank also believes that owners of banks have an additional responsibility not present in the ownership of most other commercial or industrial undertakings, because of the special fiduciary responsibilities on those who run businesses which take deposits from the public. In the mid-1970s, the Bank began to seek letters of comfort from overseas banks with shareholdings in United Kingdom banks which recognised their moral responsibility to stand behind the bank should the need arise.

"Since then, this practice has been extended to a wider range of non-bank shareholdera from both the UK and overseas. Johnson Matthey plc, the parent company of JMB, had not been asked to provide a comfort letter hut had demonstrated its willingness to support the bank in the past. It acknowledged its responsibility to do so when the crisis arose. The problem was ita lack of resources to discharge this responsibility.

"We considered proposala from the Banking Supervision Division to extend its requests for comfort letters to all significant shareholders in UK banks. These would broadly entail comfort letters being sought from all shareholders who control 15 per cent or more of the voting power, and in some cases shareholders who control 10 per cent or more. The Bank believes that in most cases it is not necessary to formalise the position in respect of shareholding in United Kingdom banka because of their agreement that they must stand behind their subsidiaries and other related companies in all hut the most exceptional circumstances.

STAFFING AND ORGANISATION OF THE BANKING SUPERVISION DIVISION

"Tha staff of the Banking Supervision Division totals 94, of whom 23 are senior officials and managers. In addition, there are 36 support staff. The ataff are very largely career Bank Staff, most of whom have had experience in other parts of the Bank before joining the Banking Supervision Division. The size of the banking supervisory function has grown very substantially since the system of supervision was revised and enhanced in the mid-1970s.

"However, with growing domestic and international pressures on the banking system, so has the burden of work. An increase in staff numbers is justified

"We consider that the quality and commitment of the existing ataff are high. But we believe that they need to be able to draw on a wider commercial experience in order to improve their ability to make judgments about the quality of lending, liquidity and other risk exposures. This experience can best be obtained by a period working in a commercial bank.

The report recommends amendments to the 1979 Banking Act, including the relaxation of confidentiality requirements on the Bank to enable it to communicate with the auditors and government departmenta and the raising of protection under the Deposit Protection Scheme from £10,000 to £20,000.

Report of tha Committee set up to Consider the Syatem of Banking Supervision. Cmnd 9550, £3.50.

Concern to protect banking system prompted rescue

THE BANK of England aays in ita annual report, also published yesterday, that its fundamental reason for rescuing JMB was a deep concern for the systemic consequences if it was allowed to fail.

The Bank, the commercial banks and the other members of the gold market involved on the night of September 30 1984 were convinced that, had JMB not been rescued, there would have been uoacceptable consequences for the banking system as a whole. This belief the Bank still holds.

At first sight, it might seem implausible that the failure of a relatively small bank like JMB, not widely known outside the bullion markets, could have such consequences. Certainly there should be no presumption that the failure of any bank would be thought to carry such risk for the system that it would be rescued. But, in the particular circumstances of JMB last September, several special factora were present which were judged to be conclusive. They are as follows:

JMB is a member of the London gold market. This is not simply a market in a sense analagous to, say, the copper market. It comprises a group of banks and members of banking groups, a substantial proportion of whose liabilities are in the form of deposits of gold, traditionally withdrawable at short notice.

London is probably the most important international gold market and is involved in placing and taking gold deposits with a large number of institutions all over the world. The members of the market also do a substantial amount of business with each other. The failure of one of the five main participants would therefore have created a situation of extreme uncertainty.

The other members of the gold market would, because of their presumed exposure to JMB, have come under immediate suspicion and there would probably have been a very rapid withdrawal of liquid funds from all of them.

The pressure that this would have been likely to put on the other four members could quite quickly have been translated, in the classical manner of confidence crises, to other banks, in Britain and, perhaps, because of the international nature of the market, to banks abroad.

The Bank believed, and still believes, that it would not have heen possible to have convinced the markets in the first few days after the crisis that the problems did not derive from JMB's bullion business. Equally, no statements or promises of liquidity support could have been relied on to contain an ensuing loss of confidence in other banks.

The possibility of allowing JMB to fail and seeking to contain the consequences of its failure was considered during the week of the rescue operation, but was rejected. This was partly for the reason just [illegible] viding the necessary liquidity in gold would have been beyond the Bank'a own resources. [illegible] necessitated recourse either to the gold owned by tha Government in the Exchange Equalisation Account or to a Government guarantee for the borrowing of gold from other sources. It was quite impractical, certainly in the time available, to have set up what would have heen an open-ended and possibly very large commitment of this kind.

At the time the rescue occurred, confidence in financial markets generally was fragile in the wake of the continuing international debt problems and particularly of the crisis at Continental Illinois National Bank where, despite the action taken by the U.S. authorities to rescue that bank, U.S. banks suffered some loss of confidence for some time afterwards.

The speed and magnitude of the problems that could have developed in the wake of the failure of JMB were demonstrated to the Bank in the early hours of Monday October 1. While the form of the rescua operation was still being discussed, and there had been no announcement made about the difficulties in JMB, it waa learned that in the Far East some major foreign banks were refusing to deal with first-class British banks (including some not belonging to the gold market) with whom they had very long-standing connections. This strongly underlined the need for speedy and decisive action.

During the Continental Illinois crisis large amounts of money had moved from U.S. banks into UK, other European and Japanese banks. The failure of JMB, because of its prominence as a member of the gold market, risked provoking a similar movement away from British banks.

In addition to the foregoing general concerns, there were two other important, if subsidiary, factors which related to JMB itself. Although JMB is only one of the five members of the daily gold fixing, it is the only one which os part of a group which has refining capacity. The refinery constitutes for two reasons an important encouragement to overseas traders to use the London market.

It possesses the facility to break down standard bars into smaller bors for which there is an increasing demadn; and it has a capacity to refine gold in other forms into atandard bars. This refining capacity waa a major part of the Johnson Mathey group outside JMB. The failure of JMB would have virtually certainly brought down the whole of the group and could hereby have damaged the position of the gold market.

The second factor was a consideration of a rather different kind. As part of its hullion operations JMB received substantial deposits of gold from a number of foreign governments and central banks. Losses on these official deposits could have bad particularly serious implications for the standing of and confidence in British banks generally.

Bank of England Report and Accounts 1985, Threadneedle Street, London EC2 8AH.

THE ARTS

Arts Week

F	S	Su	M	Tu	W	Th
21	22	23	24	25	26	27

Theatre

NETHERLANDS

RA by R. Murray Schafer, directed by Thom Sokoloski, a theatrical journey (literally) from dusk to dawn based on the ritual of the Egyptian sun god. Starts in Amsterdam, Ijsbreker (Weesperzijde 23), by bus to Leiden, where the performance begins at sunset (all week except Sun). (631805).

LONDON

Noises Off (Savoy): The funniest play for years in London, now with an improved third act. Michael Blakemore's brilliant direction of backstage shenanigans on tour with a third-rate farce is a key factor. (836 8888).

Starlight Express (Apollo Victoria): Andrew Lloyd Webber's rollerskating folly has 10 minutes of Spielberg movie magic, an exciting first half and a dwindling reliance on indiscriminate rushing around. Disneyland, Star Wars and Cats are all influences. Pastiche score nods towards rock, country and hot gospel. No child is known to have asked for his money back. (834 6184).

On Your Toes (Palace): Rodgers and Hart's 1936 musical is a genuine tonic. American jazz dance collides with the Ballets Russes. Gems include There's a Small Hotel, Glad to be Unhappy and the Balanchine ballet for Slaughter on Tenth Avenue. (437 6834).

42nd Street (Drury Lane): No British equivalent has been found for New York's Jerry Orbach, but David Merrick's tap-dancing extravaganza has been rapturously received. American Clare Leach is a real find as Peggy Sawyer, and Margaret Courtenay has a field day (836 8108).

Me and My Girl (Adelphi): Sleek, efficient and enjoyable revival of Britain's biggest war-time musical hit with Robert Lindsay in the Lupino Lane role emerging as the best new musical star since Michael Crawford. (836 7611).

Other Places (Duchess): Colin Blakely and Dorothy Tutin in a reassembled trilogy of Pinter plays: A Kind of Alaska in which a victim of sleeping sickness awakes after 29 years; Victoria Station, a funny throw-back to Pinter's early revue sketches; and last year's One for the Road, a chilling piece of intimidatory police state confrontation with first Pinteresque intimations of political despair. (836 8243).

Barnum (Victoria Palace): Michael Crawford returns to London with his breathtaking performance as the circus impresario, adding one or two new tricks in a likeable meringue of a musical. (834 1317, credit cards 828 4735).

Jumpers (Aldwych): Confident almost sober revival of Tom Stoppard's glittering comedy of love, murder and linguistic mayhem among the logical positivists, with Paul Eddington a more earth bound George Moore II than was Michael Hordern, Felicity Kendal delightful as his retired musical comedy wife. Peter Wood directs. (836 6404, credit cards 379 6233).

Richard III (Barbican): Last year's Stratford-upon-Avon production with Antony Sher demonically exciting as Richard in the RSC revival by Bill Alexander. Plays in repertory with Roger Rees as Hamlet and Kenneth Branagh as Henry V. All worth seeing. (628 8795, credit cards 638 8891).

Pravda (Olivier): Entertaining epic new play by David Hare and Howard Brenton for the National Theatre in which an unscrupulous South African magnate acquires Britain's most prestigious newspaper. A Jonsonian satire on the grand scale with an irresistible performance by Anthony Hopkins as the colonial who penetrates the Establishment while a nation dithers. (928 2252).

Breaking the Silence (Mermaid): Another RSC transfer, of Stephen Poliakoff's account of his family's emigration from post-Revolutionary Russia, Alan Howard succeeding Daniel Massey alongside Jenny Agutter. Ingeniously set in an Imperial railway carriage. (236 5568).

Old Times (Haymarket): Pinter's 1971 reminiscent idyll has Liv Ullman and, in the best performance, Michael Gambon competing in the present and the past for a glacial Nicola Pagett. David Jones's smooth production is less monumental in tone than was Peter Hall's: the text is very fine and very funny. (930 9832).

Waste (Lyric): Deserved transfer to Shaftesbury Avenue for the RSC's fine Harley Granville play about a politician ruined by sex scandal. Daniel Massey and Judi Dench head John Barton's production. (437 3686).

NEW YORK

Cats (Winter Garden): Still a sellout, Trevor Nunn's production of T. S. Eliot's children's poetry set to trendy music is visually startling and choreographically feline, but classic only in the sense of a rather staid and overblown idea of theatricality. (239 6262).

42nd Street (Majestic): An immodest celebration of the heyday of Broadway in the '30s incorporates gems from the original film like Shuffle Off To Buffalo with the appropriately brash and leggy hoofing by a large chorus line. (977 9020).

Dreamgirls (Imperial): Michael Bennett's latest musical has now become a stalwart Broadway presence despite the forced effort to recreate the career of a 1960s female pop group, à la Supremes, without the quality of their music. (239 6200).

Brighton Beach Memoirs (46th St): The first instalment of Neil Simon's mix of memories and jokes focuses on a Depression-era Jewish household where young Eugene falls awkwardly in love with his cousin. (221 1211).

A Chorus Line (Shubert): The longest-running musical ever in America has not only supported Joseph Papp's Public Theater for eight years but also updated the musical genre with its backstage story in which the songs are used as auditions rather than emotions. (239 6200).

Sunday in the Park with George (Booth): Inspired by the Seurat painting, Stephen Sondheim fashions a musical with dots and dashes of song that end too soon but work well with Tony Straiges's pretty set and James Lapine's book which changes gears in the second act. (239 6262).

La Cage aux Folles (Palace): With some tuneful Jerry Herman songs, Harvey Fierstein's adaptation of the French film manages, barely, to capture the feel of the sweet and hilarious original between high-kicking and gaudy chorus numbers. (757 2626).

Torch Song Trilogy (Helen Hayes): Harvey Fierstein's touching and funny recollections as a drag queen add up to the best histrionic Sarah Bernhardt role on Broadway today. (944 9450).

WASHINGTON

Count of Monte Cristo (Eisenhower): The second production of Peter Sellars' new American National Theatre company is the James O'Neill version of this swashbuckler. (254 3670).

CHICAGO

Six Characters in Search of an Author (Goodman): Robert Brustein brings his acclaimed American Repertory Theatre to Chicago for this Pirandello classic. Ends July 14 (443 3800).

Opera and Ballet

SPAIN

Granada, Generalife Gardens. The Spanish National Ballet in the unique setting of a 15th century Moorish palace, as part of the Granada Music Festival. Choreography by Maria de Avila to music by Scarlatti, Vives and others, conducted by Jorge Rubio (Mon, Tue). (225201).

LONDON

Royal Opera House, Covent Garden: Fernando Bujones, a superb classic dancer, begins a short guest season with the Royal Ballet and can be seen in La Bayadere, part of a triple bill. (240 1066).

PARIS

Le Barbier de Seville, conducted by Hans Graf, Almaviva sung by Dano Raffanti/Noel Velsaco, Rosine by Suzanne Mentzer, Figaro by Patrick Raftery and Basilio by Ruggiero Raimondi. Opéra Comique (296 0611)

WEST GERMANY

Berlin, Deutsche Oper: Premiere of Cosi fan tutte, produced by Götz Friedrich. The cast includes Angela Denning, Anne-Sofie von Otter, Keith Lewis and Carol Malone. Der Troubadour has fine interpretations by Eva Randova and Seppo Ruohonen. La Bohème, sung in Italian, is conducted by Jesus Lopez Cobos. Salome has Ruth Hesse and Ingvar Wixell as leads. Also the Magic Flute and Fidelio. The latter brings together Ingrid Bjoner and Gerd Brenneis. (34381)

Hamburg, Staatsoper: Donizetti's rarely played La Favorita in a concert version with Alicia Nafé and Franco Bonisolli. Ein Maskenball has Giacomo Aragall brilliant as Riccardo. (351151).

Frankfurt, Opera: Der Rosenkavalier produced by Philippe Sireuil with Gail Gilmore, Helena Doese and Manfred Schenk. Aida has fine interpretations by Gail Gilmore and Seppo Ruohonen. Der Zigeunerbaron rounds off the week. (25621).

Cologne Opera: Titus and Cosi fan tutte, both part of this year's Mozart cycle, produced by Jean-Pierre Ponnelle. Soloists are Margaret Marshall, Doris Soffel and Josef Protschka. (20761).

BRUSSELS

Theatre Royale de la Monnaie (217 2211): The Mastersingers of Nuremberg conducted by Sir John Pritchard with José Van Dam, Peter Meven, Francis Egerton.

NETHERLANDS

Amsterdam, Carre Theatre. The National Ballet with the Concertgebouw Orchestra conducted by Lucas Vis. Agon, Duo Concertant, Death Island and Collective Symphony (Wed, Thur). (225225).

Amsterdam, Amstelkerk (Amstelveld 2). The Krisztina de Châtel dance group with Fold, to music by Philip Glass (Mon to Thur). (AUB box office, Leidseplein 26).

Amsterdam, Bellevue Theatre. The La la la Human Steps dance company of Montreal (Mon, Tue), and the Karen Jamieson dance company of Vancouver (Thur). (247248).

VIENNA

Staatsoper (5324/2655): Krenek's Karl V conducted by Lehmann with Armstrong, Janowitz, Moser; Turandot conducted by Slatkin with Dimitrova, Freni, Carreras; Der Rosenkavalier conducted by Schneider with Jones, Fassbänder, Lotte Rysanek, Moll; Cavalleria Rusticana conducted by Fischer with Obrazova, Lilova, Hintermeiler, Mauro and Zancanaro; Leoncavallo's Der Bajazzo conducted by Fischer with Cotrubas, Domingo; Ballet: Die Vier Temperamente; Lebenstanz; Rückkehr ins fremde Land; Wiegenlied.

NEW YORK

Dance Theatre of Harlem (Metropolitan Opera House). An American classic modern dance troupe brings home the work that has given it increasing international attention. (580 9830).

Music

LONDON

Ravi Shankar and friends. Royal Festival Hall (Mon). (928 3191).

Academy of London conducted by Richard Stamp with soloists including Tatiana Troyanos and Arleen Auger. Handel's Giulio Cesare in a concert performance. Barbican Hall (Mon). (638 8891).

Royal Philharmonic Orchestra conducted by Andre Previn with Yo Yo Ma, cello. Elgar. Royal Festival Hall (Tue).

London Symphony Orchestra conducted by Jane Glover with Sarah Walker, mezzo-soprano and Michael Aspel, presenter. Gala concert in the presence of the Duchess of Gloucester. Bliss, Wagner, Mahler, Tchaikovsky and Poulenc. Barbican Hall (Tue).

Oscar Peterson: Royal Festival Hall (Wed).

London Symphony Orchestra conducted by Rafael Frühbeck de Burgos with Pierre Amoyal, violin. Beethoven and Dvorak. Barbican Hall (Thur).

Royal Philharmonic Orchestra conducted by Andre Previn with Dame Janet Baker, mezzo-soprano, and Thomas Allen, baritone. Mahler and Strauss. Royal Festival Hall (Thur).

Ronnie Scott's, Frith Street: Joe Pass, guitar. (439 0747).

PARIS

Nouvel Orchestre Philharmonique conducted by Marek Janowski, Leonie Rysanek, soprano; R. Strauss (Mon, Tue). TMP-Chatelet (524 1518).

Ensemble Orchestral de Paris conducted by Jean-Pierre Wallez, Mstislav Rostropovitch, cello, Galina Vishnevskaya, soprano: Haydn, Landowski (Tue). Salle Pleyel (561 0630).

Paul Kuentz choir: Haydn's The Seasons (Tue). Saint-Severin Church (633 8761).

Krystian Zimerman, piano, Kyung-Wha Chung, violin: 8.30 pm (Tue, Wed, Thur) Théâtre de la Ville (274 2277).

Arts Florissants conducted by William Christie: Händel, Scarlatti (Wed). Opéra Comique (296 0611)

NETHERLANDS

Amsterdam, Concertgebouw. The VU Orchestra conducted by Daan Admiraal, with Peter Brunt, violin. Berlioz, Sibelius, Bartok (Thur). Recital Hall: lunchtime concert by Ine van den Dool, flute, and Diny van Overveld, piano (Wed). (718345).

The Hague, Diligentia. The 2nd Dutch Music Festival, featuring Dutch composers (Wed). (464308).

Den Bosch, Casino. Scottish National Youth Orchestra (Wed). (125125).

Amsterdam, Tropeninstituut (Mauritskade 63). Traditional music from Beijing (Mon, Wed). (923189).

NEW YORK

Kool Jazz Festival (Avery Fisher Hall). The week of jazz greats jamming the city awake for summer. (874 2424)

WASHINGTON

Mostly Mozart (Concert Hall): Conductor, Gerard Schwarz; violinist, Joshua Bell; piano, Horacio Gutierrez. All-Mozart programme (Tue): conductor, Raymond Leppard; cellist, Janos Starker; pianist, Ken Noda: Boccherini, Mozart, Haydn (Wed); Emerson String Quartet: Haydn, Mozart, Schubert (Thur). (254 3776)

Continued on Page 15

Alain Delon and Nathalie Baye in Bertrand Blier's "Our Story"

Cinema/Nigel Andrews

Viewer assault in the silly season

Grace Quigley directed by Anthony Hervey
Runaway directed by Michael Crichton
Our Story directed by Bertrand Blier

Some films are like misbehaved toys. They look good and feel good as you unwrap them. But when you wind them up to purr across the carpet, they purr straight back towards you and poke you in the nose.

Grace Quigley, *Runaway* and *Our Story* are three such viewer-assault movies. The first is the most problematic and has even been back to the repair shop since its Cannes film festival debut last year. But to little avail. Katharine Hepburn stars in this riotously uncertain black comedy, written by A. Martin Zweiback and directed by our own Anthony Harvey (*A Lion In Winter*, *Eagle's Wing*), about a Manhattan-dwelling old dear who one day witnesses hired assassin Nick Nolte murder her nasty landlord. She likes what she sees and hires him to do the same to her and a bunch of euthanasia-desiring friends. "How much do you charge to give someone the 'rub'?" quavers Hepburn in that ageless buzz-saw drawl of a voice. And she soon beats Nolte down from a stiffish 20-odd thousand to a "group rate" of $1,000 per head.

Then the supposed hilarity begins. Four old dears are done in by car exhaust fumes, one is drowned, there is a car-chase with runaway hearses, and so the long day wears on.

The film's title at Cannes was *The Ultimate Solution of Grace Quigley*, which since it sounded like an attempt to tap our uproarious memories of Dachau, Auschwitz, etc, has wisely been changed. So, less successfully, has the movie: whittled down from almost two hours to 89 minutes. There have been great black comedies in cinema history, many directed by Britons, like *Kind Hearts and Coronets* and *The Ladykillers*. But they need a certainty as to where they're going and an absolute refusal to weaken the mixture with sentiment or pathos. *Grace Quigley* has ruinous additions of both: Hepburn brimming-eyed whenever she views a soul in torment, from invalids in an old people's home to endangered canaries, or Nolte weeping on her shoulders as the final credits approach. "I don't want to kill any more."

Michael Crichton's *Runaway* is brighter, but only just. This is a misbehaved-toy film about misbehaved toys. Malfunctioning robots are running all over Los Angeles exploding, flattening cornfields, hurling things from skyscrapers, knifing housewives and generally causing owners closely to re-examine their instruction leaflets and three-year guarantees.

Policeman Tom Selleck, who has specialised in robots ever since vertigo attacks retired him from active service, teams up with pretty policewoman Cynthia Rhodes to stop the dastardly automate. Will he succeed? And will he solve the mystery of who is behind it all and why?

The chief mystery is why the admirable Crichton (of *Westworld* and *Coma*) has failed to follow a bold premise with a half-way convincing development. The explanation for the abberrant robots is blithely perfunctory — a mad electronics genius (Gene Simmons) trying out his new line in micro-chips — and Selleck galivants after him for 100 minutes with all the ingenuity and charisma of a retired bruiser trying to catch a bus.

Luckily, the incidental details compensate somewhat for the central story line: not least the villain's strategic armoury which includes robot "spiders" (scuttling, steely and flying at your throat), a gun with victim-seeking bullets (the camera follows their headlong slalom through the air) and a final showdown which ensures a thorough outing for our hero's fear of heights. This last, as Selleck dangles 40 storeys above street level, caused my palms to perspire more freely than at any moment in the sky-high shenanigans which closed the new Bond romp. Perhaps Crichton should be hired to collaborate on the next 007 adventure. He clearly needs a new challenge, and they clearly need a new writer.

Next out of the silly season is Bertrand Blier's *Our Story*. This film, far from causing one's palms to perspire, causes one's brain to congeal. After his first hit *Les Valseuses*, this French writer-director has specialised in ever diminishing tales of sexual and emotional bizarrerie, the most recent of which (*Beau Pere*, *My Best Friend's Girl*) would scarcely shock *tante* Edna, or even interest her.

Here we have handsome but depressed Alain Delon picked up on a train by freelance nymphomaniac Nathalie Baye. After a brusque coupling in his first-class compartment, they set up house together: she at first reluctant (she doesn't like lasting liaisons), he beery, bleary and adoring (he seeks a last, great romance).

Between the outbursts of the comical-surreal — Baye's old flames pay a mass visit in one scene, peopling the house like a multiplied version of Snow White's seven dwarf — the film maunders on like a life sentence. Delon sits ever more comatose beneath his pile of beer cans. (He won France's Best Actor "Cesar" for this performance, causing one to shudder at what the competition must have been like). Baye keeps returning from a night on the town, walking past the studio backdrop outside the front door. And the film freezes up with endless tartly melancholic talk and much Gallic wisdom about *la vie* and *l'amour*.

Has the silly season even afflicted Christopher Petit? Here is the British director of *Radio On* and *Flight to Berlin* attempting what appears to be a spoof *film noir*. *Chinese Boxes* unfurls in darkest Berlin, where post-dubbed and strangely accented actors (Gottfried John, Robbie Coltrane, Will Patton) dance to the macabre tune of a plot about drugs, crime and murder. As guns and clichés clash by night, the action becomes even goofier and the story as impenetrable as Petit's reasons for filming it. Good photography in luminous primary colours is no compensation for a film that increasingly resembles *What's Up Tiger Lily?* without the jokes.

*

A group of new releases like this makes one yearn for the plain and pungent professionalism of John Boulting, who died this week aged 71. Though he, too, had his silly season, notably in late films such as *Twisted Nerve* and *Soft Beds and Hard Battles*, he also knew the bricks-and-mortar basic of how to build a movie story. And in his best work — *Brighton Rock*, *Seven Days to Noon*, *I'm All Right, Jack* — he showed he knew much more: creating a witty, seedily sardonic picture of post-imperial Britain that still endures, and still endears, today.

Tom Selleck as Sergeant Jack Ramsay in "Runaway"

Guys and Dolls/Prince of Wales

Michael Coveney

The National Theatre's 1982 *Guys and Dolls* arrives at last in the West End at the Prince of Wales after a lengthy tour. On the South Bank my enjoyment was always tempered with a sense that here were actors letting their hair down rather than musical performers operating at full strength. The expertise of Julia McKenzie as Miss Adelaide stuck out like a sore thumb.

Now we have, in the lithe, expressive black figure of Clarke Peters, a Sky Masterson who can actually sing, a great tightening behind the Prince of Wales proscenium of David Toguri's musical staging—although the Cuban interlude is still not right, too messy and somehow "tunneled" in shape—and, in Lulu, a more coarse-grained and unthrottled Miss Adelaide, full of bounce and personality, musically expert. Adelaide's lament becomes the outpouring of a life-long 'flu sufferer as opposed to the comic nuance of a refined sniveller.

Bob Hoskins was succeeded (and improved upon) by Bernard Cribbins as Nathan Detroit and now there is Norman Rossington combining the thickset thuggery of the one and the light vulnerability of the other in a fine performance of resistant but pragmatic weediness.

The long running survivor is David Healy's Nicely-Nicely, still taking four encores while rockin' that boat which has acquired a lovely stuck needle gag for the last two bouts on "the devil will drag you under." The tipsy bacchanalian joy of this item, Mr Healy jigging seraphically at its centre, is the show's high point. The comic waiter routine in Havana is not so funny any more and Andrew Robertson is perhaps too willing to risk a neigh to his whinnying sa Harry the Horse. But there is a delightful new Benny Southstreet from Mark Hadfield, scrawny and hungry and scared.

John Gunter's design of neon advertising (everything from Planters Peanuts to Maxwell House) and film titles (Edward G. Robinson and Joan Bennett in *Scarlet Street*) is still a battery of incidental pleasures rather than a truly coherent solution to the staging problems. But Richard Eyre's production, now in the hands of Antonia Bird, will pass muster in comparison with any other musical on the London stage and outstrips the lot in the departments that matter most, those of music, lyrics and book.

The worlds of the floating crap game and the Salvation Army are well contrasted, with the girls of the mission band doubling as Adelaide's back up in the Hot Box club (Jo Cameron Brown is notably funny and pinched in both environments). With the proscenium focusing there is more of a chance to savour the black and white of the opening hectic street scene, picked out in the magazine titles on the bookstand—Look, Life and Love.

The fugue for tinhorns will never not astonish me in its sheer nerve and daring, qualities that characterise so many of Frank Loesser's numbers right through to the thumping duet of Miss Adelaide and Sarah (Betsy Brantley, who succeeded Julie Covington at the National, is frail but likeable), "Marry the Man Today." The rest you know: "A bushel and a Peck," "If I Were a Bell," "Luck, Be a Lady," "Take Back Your Mink."

The programme has no space for the authors' biographies, so it is appropriate that we should mention here the work of the librettists, responding to Damon Runyan but true craftsmen in their own right, Jo Swerling and the recently deceased Abe Burrows. Celebrating Mr Burrows in New York the other day, Walter Kerr wondered if *Guys and Dolls* was not one of the three best Broadway musicals of all time. Sure it is. But what are your other two? I'll say *Pal Joey* and *West Side Story* and run.

Alastair Muir

Norman Rossington and Lulu

In Time of Strife/Half Moon

Martin Hoyle

Joe Corrie was a miner in Ayrshire and Fife during the First World War and the hungry 1920s. For the Fife miners the General Strike was merely the culmination of unrest and periods of strife during which Corrie, often on the dole, found himself as a writer. A tour of mining communities with *In Time o' Strife* in 1928 decided him to earn his living by the pen rather than the pick.

It was a sound choice. More rough-hewn than its later English counterpart, *Love on the Dole*, Corrie's play has points of resemblance to O'Casey's: notably the vaunting bravado of the male contrasted with the quiet strength of the mother, wife or sister. His women are more far-sighted than his men, like O'Casey's, and closer to the practical consequences of rhetoric than their impassioned menfolk.

The 7:84 Theatre Company Scotland have interpolated the playlet *Hogmanay* into the longer piece. It emerges as a recollection of easier times, of communal celebration, remembered during the General Strike's grimness.

The plot deals with the privations of the Smiths and the Pettigrews, the arrest and imprisonment of Kate Pettigrew's activist fiancé and the contemptuously regarded strike-breaking of Jenny Smith's lover. There is a death and some off-stage violence, almost expressionistic in David Hayman's otherwise naturalistic production. But for the most part the mood is of quiet domestic tragedy—and comedy.

Broad Fife is not the easiest accent to grasp in the Mile End Road, or possibly anywhere south of Hadrian's Wall. But the conviction of the company's unselfconscious realism is powerful, well led by Tom Watson and Anne Kristen — whose excellence on her native heath I have noted before — as the elder Smiths, stubbornly loyal to the strike but shocked by their son's excited (and faintly ridiculous) demands for revolution. The writing balances the desparation of the miners' misery (more than one character cries "Something must be done!" ironically recalling the then Prince of Wales who made the same remark in Wales) with a deflationary humour.

Gerry Jenkinson's lighting design enhances Geoff Rose's set, dominated by three cavernous entrances to blackness between pit-props. Joe Corrie died in 1968. I suspect he would have found the same themes to treat 15 years later.

New Orleans in Lugano

Kevin Henriques

The Italian-Swiss lakeside restort of Lugano, valiantly clinging to its splendid past in the face of the inexorable invasion of everything that is Euro-style, is assuredly more a *paradiso* for people of maturity rather than those of boisterousness. Last weekend, however, its everyday tempo was accelerated by an open-air jazz festival (the scope of which ranged rather more widely than the title suggests).

It is a modest festival in comparison with most of those spread throughout Europe this summer, presenting only one American band among the majority from Switzerland, Italy and Britain. It is modest, too, in budget. Signor Marino Zimmermann, president of the organising committe of local businessmen and jazz enthusiasts, was traditionally Swiss when circumspectly telling me that the cost was "between SwFr 150,000 and SwFr 180,000 (£45,000-£55,000)." The principal backer was Credito Svizzero (Credit Suisse) together with the town of Lugano, the local tourist office and Crossair, an internal airline. Sponsorship of such prestige enabled the festival to be free for the public.

The jazz was played on stands set up in six of Lugano's piazzas. Listeners simply wandered at will between them. The enthusiast, armed with the published timetable, chose from the menu, secure in knowing that the bands appeared several times. Fears that all the jazz would be of the "trad" variety proved groundless. As well as the music of Basie, Ellington and the Swing Era the vast field of all popular music was drawn upon.

In the small modern Piazza Maghetti a Basle band, The Harlem Sound, surprised with Mozart's familiar "Turkish March," followed immediately by the Beatles' "Norwegian Wood." And this after the banjoist had sung "The White Cliffs of Dover."

Adding a vital flavour to the Sound was British reedman André Beeson (part of the thriving Essex jazz scene), whose jaunty, swinging alto-saxophone playing showed influences of Louis Jordan and Pete Brown. Pleasant surprises too from the enigmatically titled Buddha's Gamblers from Zurich which takes its name from pianist/leader "Buddha" Scheidegger, who just happens to be an attorney in Zurich. His seven-piecer, made especially listenable by the firm, rhythmic guitar playing of Peter Schmidli, was for me the most musically interesting of the bands heard.

But this was not a festival for straight-faced critics. It was a fun festival. A friendly festival. The music was for the people and for the musicians who, without exception I feel sure, enjoyed themselves hugely. None more so than the happy young men from Lucerne (all amateurs) who comprise the Bourbon Street Jazzband. Before lunch on Sunday morning they were playing classic "good-time" jazz in the back room of a small restaurant for a tightly-packed, rapturous audience. Added joy came when, unadvertised, Beryl Bryden, Britain's ubiquitous Ambassadress of Jazz, joined them for a few numbers.

Such impromptu meetings are the vital stuff of jazz festivals. Almost in the same way as accidentally coming upon the small bandstand in the tiny Piazza Maraini, where pianists were featured, and seeing the familiar figure of Keith Nichols (also from Essex) delivering his ragtime tunes to fervent enthusiasm.

Following him was the unfamiliar but striking figure of South African-born but Yorkshire-raised pianist and blues singer Diz Watson.

And thus such Lugano vignettes emerged. Yet there was no denying that the big attraction of this relaxing weekend of jazz was the sextet representing the Chicago-style jazz made famous by Eddie Condon and heard in the New York club named after him. The band was led with firmness by cornettist Ed Polcer, supported with much style by clarinettist Kenny Davern and Keith Ingham (British-born) on piano, the latter catching the ears mightily in his solo features.

Society of Authors awards

Susan Kay was last night presented with the main prize of £12,500 in the Society of Authors' Betty Trask Awards for first novel by writers under the age of 35. Ms Kay's novel, "Legacy" is to be published by The Bodley Head in September.

The Betty Trask Awards, totalling £17,500, are for works of a romantic or traditional nature. Five other first-time novelists were awarded £1,000 each at last night's Society of Authors' annual reception in London.

The Betty Trask Awards were presented by the chairman of the judges, Edna O'Brien.

A further five prizes totalling £27,300 were also awarded last night.

Graham Mort and Adam Thorpe each won £4,000 in the Eric Gregory Awards for poets under the age of 30. In the same category Pippa Little was awarded £3,000, James Harpur and Simon North £2,000 and Julian May £1,000.

Arts Week

Continued from Page 14

Exhibitions

NEW YORK

Metropolitan Museum: 30 objects from the period between the 1851 Crystal Palace Exhibition to the 1900 World Fair in Paris demonstrate the show's theme of Revivals and Explorations in European decorative arts. Ends Sept 5.

SPAIN

Madrid: Palacio de Cristal and Palacio Velazquez, Parque del Retiro: Spanish sculpture 1930-36. Sculpture and drawings by Picasso, Miro and contemporaries. The selection includes two works featured in the 1937 Paris exhibition, at the height of the Spanish Civil War, and now shown in Spain for the first time: Picasso's Femme du Vas and Julio Gonzalez's La Montserrat. Ends July 30. (274 7775).

Madrid: Sala de la Caixa de Barcelona, Velazquez 63: Salvador Dali, a retrospective of his work as an author and illustrator of books, with 300 engravings and lithographs and 200 drawings. Ends July 18. (431 2017).

Barcelona: Fundacion Joan Miro: Works by 45 Russian avant-garde artists from the Ludwig collections in Cologne, covering the period from 1910 to 1930 and including the most representative masters of neo-primitivism, constructivism and suprematism. Ends July 7.

PARIS

Renoir: An important exhibition of the most sensuous of the impressionist painters, who never tired of glorifying the nude feminine body capturing the light, comes to Paris from the Hayward Gallery, London. It consists of some 125 paintings and 50 Drawings, including Le Bal du Moulin de la Galette and La Danse à Bougival, Grand Palais, Closed Tue. Ends Sept 2 (261 5410)

James Tissot: A nostalgic evocation of the charms of Edwardian life, with his fashion-plate perfection in rendering ladies' rustling dresses and beautiful hats, surrounded by attentive dandies at various social occasions. This show arrives in Paris from the Barbican, London. Petit Palais. Closed Mon. Ends Jun 30.

Robert and Sonia Delaunay: for the 100th anniversary of their births, his in Paris and hers in the Ukraine, a retrospective of some 300 objects, paintings, drawings and decorative projects brings to life their joint pictorial adventure. Whether exploring abstract painting or disarticulating Eiffel Tower images, their colours are vibrant, their *joie de vivre* explosive. Musée d'Art Moderne, 11 ave du Président Wilson. Closed Mon, Wed late closing. Ends Sept 8.

Corot to Picasso. The range of French 19th and 20th century masters assembled by the art merchant Robert Schmit comprises an important Degas pastel La Conversation and a Van Gogh, unusual both for technique and the theme of the Seine. On the first floor the sunshine comes in with Vuillard, Bonnard and Dufy. Picasso's Large Buste d'Homme faces an equally large Braque still life. There is a dream-like Balthus landscape and a strong blue, red and white one by De Staël. Galerie Schmit, 396 rue Saint-Honoré (260 36 36); closed Sun and from 12am–2pm. Ends July 20.

LONDON

The Tate Gallery: Francis Bacon, Britain's greatest living painter accorded the rare distinction at the age of 75 of a second full retrospective exhibition at the Tate, 20 years after his reputation as an artist of world standing was first put beyond all doubt. Now we see him no longer as a unique and extraordinary figurative, surrealist expressionist, but as an artist who has come at last into his own, as younger painters have come round again to the human figure as the central, creative preoccupation. As the subject matter is now more acceptable, so his peculiar and tormented re-invention and reconstitution of the figure no longer shocks. Ends Aug 18.

WEST GERMANY

Berlin, Gropius Bau, Stresemannstr. 110 Berlin 61: Treasures of the Forbidden Cities. Timed to coincide with this year's Berlin Horizon 85, the Peking Palace museum is coming to Europe for the first time, with roughly 120 works covering 3500 years of Chinese history. The exhibition in Berlin includes gold, and Jade, paintings, porcelain, musical instruments and calligraphs. Ends August 18.

Frankfurt, Museum für Kunsthandwerk, Schaumainkai 17: The new museum opens with an exhibition of Turkish culture and art from the Osman empire. 500 works are on loan, ranging from 15th-19th century. The show includes glass, carpets, ceramics, miniatures and weapons. Ends June 30.

Köln, Schnütgen Museum Cäcilienstrasse 29: Gothic Art from Bohemia, 60 masterpieces from between 14th and 16th century on loan from the National Gallery, Prague. Ends July 21.

Düsseldorf, Städtische Kunsthalle Grabbeplatz 4: A retrospective of Rupprecht Geiger with 100 paintings from between 1945 and 1984. Ends July 21.

München, Staatsgalerie moderner Kunst, Prinzregentenstr. 1: German Art since 1960. 200 paintings, prints and drawings by 13 artists from the private collection of the German Prince Franz of Bavaria. Among them: Beuys, Richter and Kiefer. Ends Sept 15.

Emden, Ackhuysen-Gesellschaft, Rathaus am Delft: To honour the late Franz Radziwill on the 90th anniversary of his birth. Ends July 28.

ITALY

Venice, Palazzo Fortuny: Toys for the science-fiction era, showing how vastly more sophisticated robots have become, since first produced in the 1950s. Ends Jul 14.

Naples, Museo di Capodimonte: The Age Of Caravaggio, seen at the Metropolitan Museum in New York in February and March, is the first fruit of an agreement between the museum and the Italian Arts Ministry. Besides 40 paintings by this extraordinary artist (some of not absolutely certain attribution) there are works by Caracci, Reni, Borgianni, Elsheimer, Gentileschi and Rubens, as well as a section devoted to those northern Italian predecessors, who had an important influence on Caravaggio. Until End of June.

Florence: Museo Archeologico (Piazza SS. Annunziata) – The Etruscan Civilization: This is the first of a long series of exhibitions to mark The Year of the Etruscans, and shows the results of the most recent research into the Etruscan world. A useful history of this civilization's birth, development and decline. Ends Oct 20.

Palazzo Braschi, Piazza S. Pantaleo: Les Frères Sablet: 1775–1815. Paintings, drawings and engravings by two enormously industrious Swiss artist brothers, during their lengthy stay in Rome. Portraits, landscapes, and many charming conversation pieces against a background of well-known Roman monuments. Ends June 30.

BRUSSELS

Hotel Metropole is celebrating its 90th year and in its splendid *fin de siècle* public areas, worth a visit in themselves, they are exhibiting glass and objets d'art from the Belle Epoque to Art Nouveau including works by Wouters, Gallé and Daum. Also on show are a collection of illustrated menu cards including a Press Banquet in 1893, Congo in 1898 and Sarah Bernhardt in 1896. Ends July 20.

Opera costumes from 1950 to the present including Zeffirelli's Rigoletto, Bosquet's Traviata and Karl Ernst Herreman's Clemency of Titus. Musée de Costumes et Dentelle. Until November.

Tony Cragg – a major exhibition of one of Britain's contemporary sculptors. Palais des Beaux Arts. Ends July 28.

VIENNA

Vienna 1870–1930: Dream and Reality: The greatest names of the Viennese fin-de-siècle – Klimt, Otto Wagner, Schiele, Kokoschka, Aldolf Loos, Josef Hoffman – in a dazzling display of Jugendstil creative genius. The attempt to integrate the artistic achievements of this era with philosophical developments (notably Wittgenstein but also Freud) and political transformations (the emergence of municipal socialism on the ruins of Baroque splendour) is ambitious and only partly successful. The complex tension between autocratic and censored reality on the one hand and the illusions or fantasies of individual artists on the other is hinted at but not fully explored. A high point of the show is a reconstruction of Hoffman's room at the secession exhibition of 1902. Here, triumphantly restored, is Klimt's fifty-foot Beethoven frieze depicting humanity's progress through suffering to joy on the theme of the Ninth Symphony. Displayed exactly as intended, this alone is worth a special visit. Kunstlerhaus. Ends October 6.

WASHINGTON

National Gallery. Ancient Art of the American Woodland Indians includes 151 pieces covering 5,000 years of sculpture, ceramics, copper and shell objects of the native Americans who lived in what is now the eastern half of the U.S. Ends Aug 4.

National Gallery (West Bldg): 36 old master paintings from the Dulwich Picture Gallery are exhibited under the title Collection for a King, including works by Rembrandt, Van Dyck, Canaletto and Gainsborough. Ends Sept 2.

CHICAGO

Art Institute: Though Edouard Manet made etchings primarily to reproduce and publicize his paintings, he developed a unique style as shown in the 27 etchings in this special exhibit of more than a third of his total output of 75 etchings. Ends Sept 2.

Art Institute: With 200 of Marc Chagall's works on paper dating from 1907 to 1983, this show from the Centre Pompidou in Paris makes a good study of Chagall the draughtsman. Ends July 7.

Festivals/Antony Thorncroft

Tuscany comes to London

Stephen Oliver's new opera *Beauty and the Beast* receives its British premiere tonight at St John's, Smith Square. It will be performed by Musica nel chiostro which gave it a world premiere last summer at its annual festival in the monastery of Santa Croce near Batignano in Tuscany.

Music festivals are becoming ten a penny, and many have a romantic history, but few can match Santa Croce. The ruined monastery was bought in the early 70s by designer Adam Pollock, who made his reputation by designing for opera and his money by creating the look for Annabel's, the night club, and Wiltons, the restaurant.

In 1974 he started an opera festival based on the monastery. The singers and musicians occupied the 35 rooms and were paid with sun and wine rather than money. The repertory was forgotten operas, mainly baroque. The performers were British and the audience local villagers and rich summer residents such as the Queen of the Netherlands and Sir Georg Solti.

Since 1978 Musica nel chiostro has performed also in London. There will be three performances of *Beauty and the Beast*, which was well received in Italy. It will be given in English, with Anne Mason as Beauty and Robert Dean as the Beast.

For this summer's three-week festival in Santa Croce, Pollock is presenting what is probably the first performance for two centuries of an opera by Salieri, the rival of Mozart and the villain in the recent film *Amadeus*.

Pollock hopes that *La grotta di Trofonio*, which inspired Mozart to write *Così fan tutte*, will rescue Salieri's reputation from its current low level. In addition there will be performances of Handel's *Flavia*.

An attraction of Musica del chiostro is that it does not weigh heavily on the public purse. It receives £25,000 from Italian government sources and will justify this increased subsidy by touring the small opera houses of Tuscany this winter with the *Marriage of Figaro*, something of a rarity in Italy. The Arts Council is providing £8,000 for this week's production.

Pollock does not want Musica nel chiostro to get much bigger. It has revitalised his holiday home, has rescued forgotten operas, in particular Mozart's *Zaide* and provides young musicians with a cheap working holiday. Its lack of pretension is its greatest claim to fame.

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A failure of supervision

THE REPORT of the Review Committee on banking supervision marks a watershed in the history of regulation of the UK financial markets. It is bard to avoid the conclusion that the crasb of Johnson Matthey Bankars was a disaster thet was just waiting to happen in the context of the Bank of Englend's slow-moving and insensitive supervisory system. The lessons cannot be confined to banking alone; the City of London is embarking upon a *far-reaching* revolution in the securities markets and elsewhere, and it is clear that a far more determined and profes*sional* approach to *regulation is* required.

Perhaps, in some of the newer markets, the lessons are already heing taken on board. In the new gilt-edged market, for instance, the market-makers will be required to file detailed daily returns with the Bank.

This shows the right attitude, but it remeins to he seen whether the Bank will be ahle to cope with floods of paper and figures of this kind. The Bank's own version of the events at JMB shows, after all, an astonishing lack of urgency in the banking supervision department.

The quarterly return by JMB for March 1984, due in mid-April, was not received until June. Even though the Bank had become increasingly concerned about JMB, it did not manage to arrange a meeting until August.

Until now the Bank has taken refuge in claims that it is engaged in supervision rather than inspection, regulation or some tougher form of intervention. Accordingly it has relied heavily on information supplied by banks themselves, corroborated only by once-a-year reports by auditors.

Misreporting

The Bank bas had the right under the 1979 Banking Act to send inspectors in. But the JMB affair shows such powers bave not been enthusiastically invoked.

One clear causalty is the two-tier supervision system for banks. The basis for this class distinction was that the larger and longer established banks could be supervised less actively than the mass of licensed deposit takers.

But the disaster occurred in the top tier, where as an authorised bank JMB was guilty of serious misrepresenting (*though through incompetenca* rather than fraud, the Bank of England says, in its annual report).

Accordingly the Bank has been forced to ebandon its assumption that fully authorised *banks would always be straightforward* and competent. The tradition of mutual respect and confidence had never failed the Bank before. But now it has.

Now the Bank, in the wholly-owned guise of JMB, is suiog the auditors, Arthur Young. Plainly it is under pressure to clew back whatever money it can, both for the benefit of the public purse and the commercial banks which stand to lose under the indemnity agreemeot. Yet the action may interfere with the urgent requirement to redefine relationships between auditors and regulators.

The Review Committee recommends that steps he taken to dismantle the herriers which at present prevent auditors and *regulators* from *talking* to each other. The auditors of banks, as of all companies, under the Companies Act, are appointed hy their shereholders and by convention are bound by a duty of confidentiality to their clients.

For most companies, wben trouble looms, the auditors have the option of hoisting a distress signal hy qualifying their audit report. But for financial companies such as banks this is *something of a Doomsday* weapon which is likely to destroy the company.

So it is only sensible to look for ways in which amber lights can be flasbed in a less cataclysmic way through discreet *discussions* with the *bank*—preferahly on a regular rather than exceptional basis.

The Review Committee'a otber main recommendations are sensible as far as they go.

But lt is not clear that the Bank bas yet faced up fully to the scale of extra resources that will be required in this and other regulatory areas, nor to the need to automate the document processing so that skilled manpower may he freed from routine drudgery and allowed to concentrate on problem-solving.

Taken together with the cloud over Lloyd's, the collapse of Johnson Matthey Bankers is a serious blow to the City's claims to be *regulated* on *its* own terms.

Compromise on car emissions

THE NEED for a resolution of the EEC debate over car exhaust emission standards is urgent. If environment ministers fail next week to resolve the sharp difference between West Germany and its partners, the internal EEC market for cars could start to break up.

Thet could come about if, in the absence of agreement, West Germany goes ahead—as it has threatened to do from *July 1*—in introducing financial incentives to encourage environmentally "clean" cars on a scale sufficient to spark off retaliation by other member states.

Since the first announcement from Bonn—under fierce pressure from its environmentalist lobby—that it would seek the fastest possihle introduction of three-way catalytic converters on all cars, the industry has found itself in a costly race to prepare "catalyst" cars, *should* that be *what Brussels* decides, while simultaneously developing "lean-burn" engine technology, its own preferred approach to cleaning up emissions.

On March 20 it looked as if there would be compromise. Environment ministers agreed a timetable for the introduction of standards designed to be equivalent in thair effect on the environment to those already set in the U.S. but specifically allowing for relatively cheap "lean-burn" units to be developed for cars of under two litres. It was left to technical working parties to fix the precise standards.

The European Commission's proposed standards, announced on June 5, setting out maximum permissible emissions of carbon monoxide, hydrocarbons and the most damaging pollutant, nitrogen oxides, rule ont anything but the use of three-way catalysts or the most sophisticated of lean-burn units. These would be no cheaper than catalysts, and there aeems little prospect of manufacturers being able to bring them into production on the ministers' time-scale.

While the UK, Italy and France had accepted that catalysts would be necessary on the most-polluting cars, those over two litres, there is no prospect that at next week's meeting they will accept the Commission's proposals for cars under two litres.

Their concern reflects the nature of their respective motor industries, which ara heavily *reliant* on *medium* and *small* cars. Catalysts would add £400 to £600 to their cost, compared with £150 for lean-born units.

West Germany's environmental concern, however, is no less valid. The damage done by pollutants is considerable, and increasing at an alarming rate. Equally, even tha fiercest opponents of catalysts acknowledge that they are tha most effective means of reducing exhaust pollution to a minimum.

On that score, the case for the catalyst might appear unanswerable. But the precise processes which lead to environmental damage remain ill-understood. And no one yet has a clear picture of whether car pollutants are a minor or major contributor in comparison, say, with emissions from power stations and other industrial sources.

Nor do catalyst-equipped cars hold out the prospect of an "instant" solution. They require to be run on *lead-free* fuel. West Germany is rapidly developing outlets for such fuel. But it is likely to be 1989 at least before *any minimal*, Europe-wide infrastructure for lead-free fuel exists.

Many of the proclaimed disadvantages of catalysts — that they lead to poorer fuel consumption, lower performance, and have a high failure rate — are exaggerated. But they can be viewed as "dead-end" technology; while they do a very good job of cleaning up emissions, in the nature of their operation they militate against progress on other important fronts, such aa fuel economy.

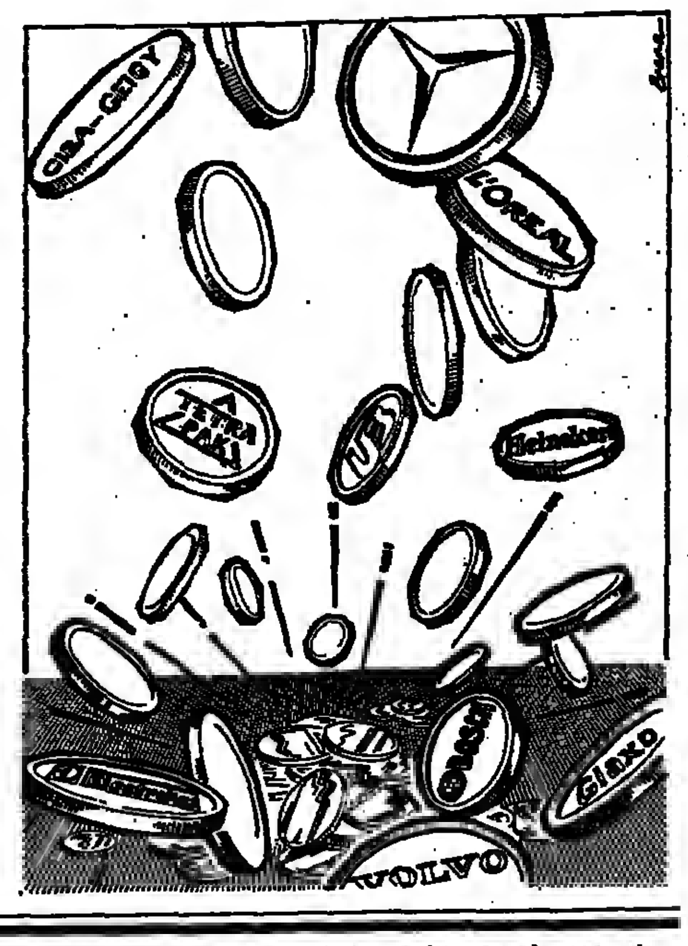
Lean-burn engines can contribute both to reducing pollution and to improving fuel economy.

The compromises which should emerge from Brussels next week, if compromise there is to be, needs to strike a balance: The standards should be sufficiently strict to provide the industry with a real challenge in meeting the commission requirements for medium-sized cars, while still leaving the "lean-burn" avenue open. With such an incentive the technology could well progress to the point by the mid-1990s, where even for cars of over two litres, the catalyst will be seen in retrospect as a temporary expedient.

The winners

A tough and relentless battle to stay out in front

By Christopher Lorenz
Management Editor



EVERY three minutes a gleaming Mercedes truck rolls off tha production line at Daimler-Benz's factory in Worth, on the banks of the Rhine near West Germany's border with Alsace. It may be destined for any one of 170 countries, from France to Singapore, Saudi Arahia to Indonesia. It may be shipped complete, or *disassembled* and *packed in* containers for one of 20 Daimler-Benz assembly plants throughout the world.

Over the past two decades Daimler has grown to be not just Europe'a leading manufacturer of *medium* and heavy trucks, but the world's Its output is almost 40 per cent greater than thos eof either Ford or General Motors, 60 per cent larger than Isuzu of Japan, and almost three times the next two European manufecturers, Fiat-Iveco and Volvo.

Triumphing over tha notorious splintering of the various European markets, with their different technical standards and national preferences, Daimler has pursued a relentlass strategy of steadily increasing economies of scale in international production and marketing.

It is now capping its success in Europe and the developing world by inveding the American truck market with a speed and effectiveness which rivals Japan's assault in cars and consumer electronics over the past 15 years. Among many of its rivals round the world, it has been branded openly as "the Japanese of the truck industry"—not only for its tireless adherence to a long-term *strategy*, but *also* for the ruthless pragmatism needed to adapt to continually changing circumstances. It is, for example, both ready and able to indulge in price-cutting if this proves necessary to gain all-*important market share*.

Daimler is understandably reticent abont its pricing policy, hut Professor Ralf Winnes, commercial director of the Worth plant, says the company's high-volume production of engines, *transmissions, axles* and other components in a network of specialised German factories "gives us an enormous cost advantage over the competition." The network was equipped at a cost of nearly DM 4bn (£1hn) in the late 1960s and 1970s, but is still being expanded.

The success of Daimler-Benz trucks in mass markets round the world constitutes a remarkahle example of a tenacious European "winner." But it is hy no means an isolated case. In a series of "niche" markets, the company's own cars are almost equally *strong—with* those of Volvo and BMW not far behind. In high technology car components, especially electronics, its south-west German neighbour Robert Bosch is just as dominant.

Elsewhere in the engineering industry, a hroad swathe of *medium-sized specialists holds*—and is maintaining—a leading position in particular sectors. One such is Pomogalski of France, which is estimated to have over balf the world's ski-lift market.

Herr Herbert Henzler, head of the German arm of McKinsey, the international management consultancy, attributes the *continued success of many medium-sized* companies partly to "masetry of their particular technologies"; this bas given

Success in a series of 'niche' markets

them "a very specific awareness of where and bow to apply electronics."

Among them are Heidelberger Druckmaschinen and Britain's Baker Perkins in printing machinery (the latter is also a world leader in baking and other process machines). Henzler points in particular to a clutch of German specialists, most of them from Baden-Wuerttemberg, the heartland of European engineering. They inclnde Bizerba in weighing machines, Festo in pneumatics, Mahle in pistons, Wahler in thermostats and Kaerscher in car cleaning equipment, international sales of which have exploded in the past decade.

Far from sharing today's fashionable Europessimism, Henzler argues that "there is a vast amount of international winners in Euroupe, not only in Germany but elsewhere. Their number is growing by the day."

Among the longer-standing fraternity is Electrolux. A clear world leader over Hoover in vacuum cleaners for some years, its rapid growth since 1967 has now put it on level terms with America's Whirlpool for leadership in "white goods" (refrigerator, washing machines, and cookers). The Swedish company is building up a similar position in such disparate products as chain saws and seat belts.

Elsewhere in consumer durables, the leadership clan has recently been joined by a bevy of smaller specialist companies, such as Rossignol Ski, from France.

In food, drink and cosmetics, the world's largest hrewer (and hy far the biggest importer into the U.S.) has long been Heineken of the Netherlands. The world's leading maker of yoghurt and other fresh dairy products is the fast-rising BSN-Gervais Danone. Two of the world's top three biscuit makers are European: Britain's United Biscuits and France's Generale *Biscuit (over a fifth of whose* sales are in the U.S.).

In packaging, the highly innovative Tetra Pak has rapidly developed into a world leader. In cosmetics, L'Oreal of France overtook Revion in 1983, and now closely vies with Shiseido of Japan for the world's number two spot, after Avon.

In the closely allied world of pharmaceuticals, Europe's position has been strong for many years. Three of the world's top balf-dozen drug companies are European: Hoechst, Bayer and Ciba-Geigy. In many of the industry's highly fragmented segments, smaller European companies have also become *world leaders: they include* Pharmacia in eye surgery drugs and biotechnology equipment, Fisons in anti-allergy preparations, and Glaxo in ulcer treatment.

The same applies to the chemical industry as a whole. In addition to the four giants, Hoechst, Bayer, BASF and ICI—all of them in the same league as America's leader, Du Pont—a series of smaller companies is strong in particular sectors: for example Perstorp of Sweden in various speciality chemicals, International Paints (a Courtaulds subsidiary) in *underwater coatings for tankers*, and Foseco-Minsep of the UK in foundry chemicals.

What explains the success of such companies? And will they continue to fare as well into the late 1980s and beyond, amid all the new pressures of intense and global competition, shifting technologies, unstable industry boundaries, and—in many cases—shorter product life cycles?

With such a varied set of companies and industries, many success factors are specific to one situation or another. But a number of vital ones are common to most of the European winners.

● The development of crystal-clear corporate objectives, including where to focus the company's resources. This has not necessarily involved complex planning: under Hans Werthen Electrolux has been characterised with an informal style during its spectacular 18-year growth.

● The need to think big. In Europe's case this has generally meant concentrating resources on a few key businesses, and going *international* at a very early stage. Whether they were aiming at a mass market or for specialist niches, and whether they possessed a large homa market or a small one, winners such as Daimler-Benz and Electrolux were clear from the very start about the importance of economies of scale and high market share in generating sufficient *funds* for investment and further growth.

A good 15 years before the Boston Consulting Group produced its influential concept of the "experience curve" effect of high-volume manufacture, Daimler had begun hy the early 1950s to build production and marketing scale at home and *abroad*, in countries such as Brazil, Argentina and India. In the 1960s it reinforced its growing scale by buying other German companies' factories and distribution networks. It then set about equipping its new network of specialised plants, including Wörth.

Antoine Riboud, BSN's chairman, has been equally "obsessed" as be puts it, by economies of scale, ever since his early days in the glass industry. He is certainly applying it with a vengeance to fresh dairy foods. Among his factories in Europe, the U.S. and South America will soon be the world's largest yoghurt plant, now being built outside Lyons.

Despite bis dislike of planning, and his emphasis on what he calls "instinct," Hans Werthen has followed a similar long-term strategy at Electrolux, though by different means. Using the Nordic countries as his "home market," he proceeded, through over 300 takeovers in 40 countries in just 15 years, to turn Electrolux into the leader it is today. As

The coming managerial challenge

Anders Scharp, the company's president, says "we buy market shares. Starting from scratch is expensive and takes time." Unlike most other European winners which have used takeovers as a central platform of their expansion strategy, Electrolux has avoided managerial nightmares when integrating acquisition.

● The ability to overcome the problem of conflicting national standards through modular product designs which minimise the number of parts, yet allow for wide design variations. As international sales mount, the cost of fragmentation is offset by rising economies of scale. Computerisation and automation of production also help minimise the dislocation: Electrolux has been using robots since 1970, and computer-aided-design-and-manufacture since 1978.

● The burden of *differing* national standards also pales into relative insignificance as the company expands its product range for altogether positive marketing reasons: to satisfy different consumer preferences, and to block out competitors by filling distribution channels. Twenty years ago Electrolux offered only two basic types of vacuum cleaner round the world; its range is now many times larger. Daimler's Wörth plant makes 1,200 different models of truck, and can offer 22,000 special versions. So changing the height of a rear lamp or fitting extra noise insulation incurs only minimal extra cost.

● Except for consumer product companies such as BSN and L'Oreal, the marketing prowess of many of Europe's winners is an untold story. Jean-Claude Larréché, a leading professor at Insead, the French business school, points out that this has many facets, including the importance of market segmentation as well as that of *customer* sales and service. Both elements of marketing have stood Daimler in good stead, in trucks as well as cars. Tha incomparable strength of its dealership network has not only kept most imoprters out of Germany, but has contributed substantially to its own invasion of foreign markets.

It is by their marketing strengths or weaknesses, and their ability to link marketing with other corporate functions, that many of today's European winners will stand or fall in the future—especially if and when many of them come face-to-face for the first time with strong Japanese competitors. "If there's a challenge for Europe in the next 10 years, it's the coming-of-age of marketing," forecasts McKinsey's Henzler. Daimler and a few others excepted, most German companies have a lot to learn. As Henzler says, "closeness to the customer is not a German forte."

Hence, in part, the uncertainty of Robin Gilbert, pharmeceuticals analyst at James Capel, about the future resilience of Bayer, Hoechst and Europe's other drugs "winners" in an era when marketing-led product development, rather than science-driven discovery research, is becoming the main source of business growth. While Glaxo "bas done a brilliant job marketing Zantac, especially in the U.S.," he fears that the larger companies may not fare as well.

"The big American *companies* have a much more market-orientated approach," he claims, citing research which shows that in ethical drugs the big Europeans—except Ciba-Geigy — have lost market share to their U.S. counterparts since the late 1970s. Hoffmann-la-Roche bas been the bardest bit.

Relating marketing more effectively to development and production would be a big enough achievement at any *time*, but especially when intense competition, change and instability pose such a dauntingly complex challenge to Europe's established "winners." Many of them have grown fat and bureaucratic on past stability and predictability.

For Europe'a winners, present and future, the managerial challenge consists of the need for greater competence, better leadership, greater flexibility and speed of action, plus a *strong dose of entrepreneurship*.

A further article in this series will examine how a number of companies are trying to develop this sort of managerial "excellence." But it is a long and difficult haul, and not all of today's winners will be able to make it.

This is the third in a series of articles. The next will appear on Monday.

Men and Matters

Invitations to the party

Government ministers may be *publicly scornful of opinion* polls — the latest, Guardian-Marplan, has the Conservatives trailing Labour by five points—hut industry and commerce are beginning to take serious note of the ratings.

Key members of Neil Kinnock's shadow cabinet are suddenly finding themselves inundated with invitations to lunch with this or that industrialist, to talk to this or that organisation.

John Smith, Labour's spokesman on trade and industry, for example, is now fully booked for the next three months and has *few* vacant dates in his diary for some time further ahead.

It is e far cry from the days *when one parliamentary sketch-*writer wrote of him: "He is always trying to get people to notice him; so would you if your name were John Smith."

With Lahour once again looking a strong political force, businessmen have obviously decided that it would be prudent, at least, to get to know the party's leading figures and their ideas on future policy.

For those who may have to wait a while to meet Smith—the shrewd and amiable MP for North Lanarkshire who was the youngest member of the Callaghan Cabinet in 1978—the last section of Parliamentary Profiles, published by veteran political writer, Andrew Roth, this week, provides a pithy introduction.

"Short-legged, dark, lucid, incisive, admirable dexterity and unlimited patience."

Diplomatic clamp

The days when diplomats could (sometimes literally) get away with murder are clearly over, at least in Britain.

After the expulsion of e Syrian diplomat from the flat be was occupying and its return to its owners, comes news that the Foreign Office has hauled over the coals 31 heads of foreign missions in London for unpaid parking tickets.

The unpaid fines have amounted to about £1m in each *of* the last two years. In 1983, 102,179 parking tickets were ignored; last year the number rose to 109,000.

The language used by the FO's protocol department to tha worst of the culprits *remains* diplomatic. "Concern has been expressed about the rising number of unpaid parking tickets," *is the official* phraseology.

But there is no mistaking the mailed fist in the kidglove in the subsequent reference to tha recent White Paper on Diplomatic Immunities and Privileges.

There, paragraph *80 states* "that persistent and deliberate feilure hy individual diplomats to respect parking regulations and to pay *fixed penalty* notices will henceforth call into question their acceptability as members of diplomatic missions in London."

In other words, they will be shown the door.

"Well yon don't look like the Chief Druid to me."

It all goes to show, too, that wben Andrei Gromyko, the Soviet Foreign Minister, refuses to see the British Ambassador, Sir Iain Sutherland, for a farewell *call* (as heppened *this* week), Whitehall has more retaliatory weapons np its sleeve than might appear.

Across the bridge

Battersea used to be known only for it bridge, its park and its *power* station. Then came Chez Nico, the food guide-celebrated restaurant which now brings discerning diners *across the river from Chelsea* to eat a meal for two which sets them back about £80.

Its owner, Nico Ladenis — with his wife Diana — is looking ahead from Battersea to opening a new gourmet restaurant in Reading and is seeking £325,000 of new investment to finance the operation. The offer of shares in Chez Nico Restaurants, the company which will run both Battersea and Reading, is sponsored by Chancery Securities.

Reading attracts Nico because of its closeness to Heathrow (business diners and tourists), Windsor and the Henley Regatta. Expansion plans involve an eventual inn complex at Reading, raising the Battersea restaurant capacity from 32 covers to 46, and a new brasserie somewbere in the Greater London area.

Apart from his Michelin, Good Food Guide and Egon Ronay ratings, he is no stranger to the corridors of power. He was at school in Tanzania with Liberal leader Devid Steel and chaired a local Tory group in Hull (he was at university there) when *Roy Hattersley* was the pillar of the opposite Labour group.

In funds

Fund managers at Gartmore should not expect their new boss to stand back and watch them from a distance. "I care passionately about investment," says Paul Myners, who will move in August into the post left empty bythe sudden resignation of Adrian Collins. "I don't intend to stay on the sidelines."

Myners does not know yet if he will be running any portfolios at Gartmore himself, but he has no intention of getting too caught up in plotting the company's future. "It is possible to get tied np in business *strategy* and *too far away from* the market."

After cutting his teeth at stockjobbers Wedd Durlacher, Myners moved to the Daily Telegraph, where he wrote for the Questor column. For the past 11 years be has been with N. M. Rothschild—in Malaysia, Hong Kong, and finally running the merchant bank's institutional fund management division in the UK.

In Hong Kong Myners served on the government takeover and deposit-taking committees, and saw for himself the conflicts of interest that can arise when the same group is hroking, making markets, offering corporate advice and managing funds. He feels that Gartmore, as an independent fund management group, should be well placed to profit as the City moves down the same road.

Life interest

Abbey Life returned the cheques of unsuccessful applicants for its shares yesterday—with a broad hint about what to do with the money.

Enclosed was a leaflet thanking applicants for their interest—and a list of the insurance and investment opportunities offered by the company.

Abbey Life did say it intended to use the launch to provide it with a mailing list. But it might have been wiser to defar the mail-shot until the wounds of watching its shares trade at a 55p premium bad healed.

Observer

Politics Today

The barons are getting restless

By Malcolm Rutherford

"THE curse of British industry is that it has never anticipated demand. . . . When we came in we were told that there were not sufficient inducements to invest: and so we provided the inducements. Then we were told people were scared of balance of payments difficulties leading to stop-go. So we floated the pound.

"Then we were told of fears of inflation, and now we're dealing with that. And still you aren't investing enough."

That was Prime Minister Heath talking to the Institute of Directors in 1973 shortly after he had branded Lonrho and Mr Tiny Rowland as the "unpleasant and unacceptable face of capitalism."

It is not quite the same today. Yet something in the air suggests that relations between a Conservative Government and industry are again not quite what they might be.

What happened in 1973 was that government blamed industry for failing to invest and industry blamed government for failing to produce the right climate. It has not come to that yet. Investment, in fact, is running at very high levels. According to the latest Central Statistical Office figures, capital expenditure by the manufacturing, construction, distribution and financial industries in the first quarter of this year was nearly 18 per cent higher than in the preceding quarter. There are all sorts of other statistics to bear that up.

Still, a storm might be brewing. For example, it would be very easy for a competent opposition — even an opposition within the Conservative Party — to construct a fairly devastating political attack on what is going on.

There was the Hanson Trust raising a £519m rights issue the other day: the highest ever in the private sector. For what? And as The Guardian remarked in an editorial this week about the rescue of Sinclair Research by Mr Robert Maxwell: "Where was the City when he needed it?"

One could go on. The general point, however, is that the air is full of mergers, takeovers, high profitability and continuing lay-offs. It is not immediately obvious that the investment is in people.

Reading back through the FT file marked "E. Heath '73," some of the similarities between then and now seemed much greater than I had previously thought. Some of the cast has not much changed: Mr Rowland, for instance. There was Mr Heath planning ambitious trips abroad while trying to keep the show on the road at home. He was worried about the rise in earnings, though with a different approch to incomes policy. Public expenditure was getting out of hand and there was much talk about airports. There was a row about the Slater Walker-Hill Samuel merger not being referred to the Monopolies Commission.

Sir Clive Sinclair

The Prime Minister explained—in a way Mrs Thatcher has since picked up: "It is often tempting to think only in terms of one Parliament or of one decade. But that is to follow the example of the ostrich." Obviously Mr Heath was going for two or even three terms in office.

In truth, the similarities are probably outweighed by the differences. For a start, there was not then a dual opposition and Mrs Thatcher's Government has almost certainly learned from Mr Heath's experiences.

Yet in relations between government and industry some of the similarities are becoming haunting. In the House of Lords last Friday, Lord Lucas of Chilworth, a junior minister at the Department of Trade and Industry, surprised almost everyone by declaring that GEC and Plessey, however good their product, cannot survive in the UK market alone. He added: "They should be amalgamating with or collaborating with other companies to secure the export markets which they cannot secure, and they will not survive at their present turnover on UK-only purchasing."

Lord Lucas has since gone to ground, refusing to talk to the Press. And the only reason that there has not been more of a public row about what he said is that hardly anyone knew who he was. Otherwise, there would have been protesting letters to The Times by (say) the chairman of Plessey. Lord Lucas is an obscure junior minister whose statements can be disregarded.

The interesting point, however, is that more senior ministers at the Department do not dissent from his views. There is now a degree of suspicion between industry and government. The Government thinks that industry must do more to stand on its own feet; industry thinks that the Government ought to do more to help it win export orders.

A key case was the contract for the second Bosporus bridge. Senior industrialists say that Britain would have won it if the Government had put up its final terms early enough. They blame the loss on a failure of co-ordination between government departments: notably the DTI and the Treasury, though they do not leave the Prime Minister entirely blameless either, for they say that she has become isolated from the working of the government machine.

There are several factors at work here. One is that industry has become conscious that Mrs Thatcher may not win the next general election. They realise that a new government is unlikely to be led by Mr Tony Benn, so that they are a bit calmer about the prospects of change and take some comfort from the performance of the SDP-Liberal Alliance. Thus, they have begun to jockey for position: how to get the most out of the next government while still seeking more from the present.

"We can live with almost any regime," one chairman of a large company said, "provided that we know what the rules are." It is suggested that under the last few months of Mrs Thatcher the rules have become uncertain and that the Prime Minister herself has become arrogant: an epithet that might be equally applied, it occurs to me, to some industrialists.

There is also a certain resentment about Mr Michael Heseltine, the Defence Secretary, trying to produce the best value for money out of a budget that is no longer rising as fast as it was. The industrial barons are fighting—or at least sniping—back.

Some of the relevant ministers agree: the handling of the Bosporus bid was not a shining example of a competent government going about its business. "It's not a liaison between the DTI and the Treasury," one minister said, "it's a confrontation." The Exchequer, he claimed, only liked releasing funds for small projects, like building a sock factory, not for big contracts, though he added that after the loss of the Bosphorus it should be easier to obtain export credits.

It is further admitted that there might be something in the industrialists' claim that business and government lack sufficient contact. Lord Lucas, in retrospect, does not look a very sensible appointment, since nobody knows him. Even Mr Norman Lamont, the Industry Minister, has never met anyone from Honda. And Mr Paul Channon never looked the most natural appointment as Minister of Trade.

All that, of course, could change with the ministerial reshuffle, the changes at the middle level being quite as important as those in the Cabinet for they will shape the Government for some time to come.

Yet there is a way in which the Government is right and industry is wrong. It also illustrates the differences rather than the similarities between Mrs Thatcher's administration and that of Mr Heath.

Mr Robert Maxwell

This Government does not want to shell out industrial subsidies indefinitely. As the accompanying table shows, expenditure by the DTI has declined very sharply since 1980-81, especially in providing external finance to the nationalised industries. Total spending by the Department has been more than halved.

Nor does it wish to intervene as much as its predecessors. It felt no compunction to go to the aid of Sir Clive Sinclair. Indeed, some ministers made rather snide comments that he tends to run out of funds every few years. And it says that it has nothing against either marauders or predators. It is up to the markets.

There are exceptions, to be sure: some of them rather skilful. For example, this week's announcement of the Government's acceptance of BL's corporate plan is a continuation of a long-running saga in which it was decided early on that it would be politically unwise to let BL go under. Instead, there has been the growing link with Honda. (It is admitted, in passing, that it would be acutely embarrassing if Honda chooses not to build its engine plant in Swindon.)

There will also be fudges, especially as the general election approaches. It is unlikely, for instance, that there will be any more major steel closures in the next year or two, even though ministers (not the Scottish Secretary) might wish that they had shut down the plant at Ravenscraig long ago.

Yet there remain two worries. One is that while company profits have been rising, not too much of them have gone into the creation of jobs in Britain. There are the first signs that the Government is beginning to fret about this.

One Minister said that although he believed it was right for a successful British company to accumulate cash in the 1960s and 1970s, the tide should now be turning. We are now in a new phase where people are wondering where the new-found profits and cash surpluses are going to go. That could become a highly political subject.

The other worry is how the Government should present its policies: as a relatively generous spender in difficult circumstances, or as one which has sought to change the national habits of a lifetime? It is going to be quite hard to get both messages across at once, even though they are both at least partially true.

DTI EXPENDITURE (£m)

	1980-81	1984-85	1985-86
Cash			
Nat industries;			
External finance	1,178	353	318
Total DTI	2,743	1,814	1,516
real terms (1980-81 prices)			
Total DTI	2,743	1,416	1,127

Lombard

A dialogue on unemployment

By Michael Prowse

MY GOOD FRIEND Magnus Clarity, an intelligent non-economist, just cannot understand why, when there are obviously so many material wants unsatisfied, UK unemployment should be 13 per cent and rising. Touched by the evangelical fervour of the Charter for Jobs he has become that most dangerous of creatures—a born-again reflationist.

The other day Magnus asked me to explain why a modest fiscal boost would not create more jobs. I thought the best initial strategy would be to convince him that unemployment has nothing to do with a lack of demand. The fact is, I said, unemployment exists simply because market mechanisms are not working properly: the economy is smothered by government controls, job-destroying unions and wages councils.

But, countered Magnus, these things have been with us since the early years of the century. In the 1960s they were consistent with 2 per cent unemployment. Moreover, the Government has done nothing but lift controls for six years, the coverage and power of the unions is in secular decline while the number of workers under the aegis of wages councils has been falling for decades. How can these factors explain a near tripling of unemployment since the late 1970s?

I confess I was momentarily flummoxed by this response. But I came back strongly pointing out that an even more important cause of unemployment was excessive wages. The fact is, I said, we are simply pricing ourselves out of jobs.

But, countered Magnus, for most of British history wages and employment have grown in tandem. Moreover, adjusting for exchange rates, among the main economies the UK is at the bottom of the league table for pay but at the top on unemployment.

Yes, I replied confidently, but it's a matter of productivity. What really counts is the extent to which pay runs ahead of productivity.

But, exclaimed Magnus triumphantly, the latest OECD outlook confirms that in Japan in the past decade real wages have been running further ahead of productivity than in either Europe or the U.S. and yet their unemployment has remained much lower at about 2½ per cent.

I knew with a sinking feeling that it would be no easier to convince Magnus that the welfare state set up in 1945 is responsible for the recent surge in unemployment. So I tried a new tack. You think fiscal policy is important—well, our public borrowing requirement is already rather large, an increase would only create more inflation.

It is not large, Magnus replied sharply, all good economists know the deficit should be adjusted both for the state of the economic cycle and for inflation. When this is done, it is clear we are running a substantial surplus: to be reducing the real burden of public debt, which is not particularly onerous, at a time of very high unemployment, is perverse.

I played my last card. In every economy, I said, there is a "natural rate" of unemployment—the rate which is consistent with non-accelerating inflation. Since inflation is not falling at the present unemployment level, we cannot be above the natural rate and could even be below it. A fiscal boost could only worsen inflation.

The natural rate theory is bunkum, replied Magnus. Had econometricians existed in the early 1930s, they would have calculated it at today's rate if not higher. Yet we all know cheap credit and later heavy public spending on rearmament brought unemployment crashing down in the late 1930s without sparking off inflation.

The fact is, he concluded, there is no necessary link between unemployment, inflation or the rate of change of inflation. If the natural rate has any meaning it is as the historical long run average rate of unemployment — which can be no more than 5 per cent.

Depressingly, there seemed no way to pierce Magnus's confidence that the Government could and should take macro-economic steps to cut unemployment. Indeed, he almost convinced me to talk to his chums at the Employment Institute. Treasury briefings are all very well but . . .

Letters to the Editor

London and Europe

From the Chairman, The Stock Exchange

Sir,—Your thoughtful editorial (June 18) on the gilt-edged market concludes by speculating about the European view of the significance of this part of the re-structuring of the London financial community. You speak of Continental suspicions that the City is developing closer links with the US than with Europe.

However strong the financial ties between London and New York, it is the clear ambition of London to play a substantial part in the further development of the European capital markets.

(Sir) Nicholas Goodison,
London, EC2.

Access to the Commons

From Miss F. Gunn

Sir,—In response to Peter Luff (June 18) I would like to know which Parliamentary papers he is unable to obtain from HMSO, High Holborn (particularly on the day of publication), which are available at the Vote Office?

I am surprised he does not know of the existence of the sales office in the House of Commons, but a stone's throw from the Vote Office, which offers precisely the service he and his company are looking for ie immediate availability of Government and Parliamentary papers on commercial terms.

There is no difficulty in obtaining access to the sales office (day passes can be obtained from the Pass Office) and there is certainly no necessity to have a research assistant's pass to obtain documents. I agree with Mr Luff that a public sale point in the Westminster area would be helpful to all. I believe that companies like ourselves and Good Relations should not take advantage of the Vote Office in order to service commercial interests.

Fiona Gunn.
Charles Barker Watney & Powell.
22, Red Lion Street, WC1.

Private pension provision

From Mr J. Horrington

Sir,—The Government's Green Paper proposes the phasing-out of the state earnings-related pension scheme (SERPS). The Government believes that the full long-term cost of SERPS cannot prudently be afforded and that it should be replaced by a new partnership between state provision and occupational and personal pension plans.

For 11m people in occupational pension schemes employers endeavour to provide adequate pension benefits, in order to ensure that their members/dependants have a decent standard of living in their retirement. If these particular employers were to decide to phase out their occupational pension scheme for similar reasons as those stated for the phasing out of SERPS, would this decision be acceptable by their employees in the belief that the company was acting in the best long-term interest of its members/dependants?

Is the Government, therefore, washing its hands of its responsibility to provide decent pension benefits for future generations by allowing young people to invest in personal pension plans, with outside institutions for their future retirement benefits? The Government (to my knowledge) has given no evidence to show that private pension provision could provide the same income security as with SERPS.

J. P. Harrington
(Pensions administrator),
Tioxide Group,
10, Stratton Street, W1.

Equality in retirement

From Mr M. Purches

Sir,—I was interested to read the letter from R. K. Rice (June 12) concerning equality of pensions. The lower pension for women was an actuarial calculation based on their longer lives. It will of course remain perfectly legal to discriminate actuarially against men; in motor insurance for example. When discrimination is that way round, the silence from the Equal Opportunities Board and the feminist movement is deafening.

Michael J. Purches,
Rush Common House,
Abingdon, Oxon.

Proving no intention

From Mr L. Unstead-Joss

Sir,—The article by Justinian (June 17) concerning Section 3 of the Theft Act is apparently unconcerned with a philosophical problem which must be central to the Act's interpretation.

How can it be proved in any connection that anyone has no intention of committing some act or another? It is a well known philosophical axiom that it is impossible to prove a negative—it seems to me that this particularly applies to not having an intention.

Surely, in the interpretation of this Act, only the deeds of the accused have any relevance—not his or her intentions?

L. G. L. Unstead-Joss.
4, Liberton Gardens,
Edinburgh.

Cereals and cows

From Mr N. Earle

Sir,—Ivn Dawnay (June 15) on Commission cereal market management options, quoted the right to restrict advance payments to farmer's. Certainly so far as UK is concerned, advance payments have never appeared possible. It is the amount of payment delay which is variable—a very different affair. In the current season it has been 140-150 days after delivery, in contrast to normal 21-28 day terms.

Richard Mooney (same date) has a misleading headline and item based on dairy-farm costings showing that for 1984-85 margins over concentrates rose, following an excellent silage season and lowered feed prices.

With a reduction in cow yields and cow numbers, the increased margin over feed costs is most unlikely to lead to increased profit and income overall when the present vicious urban price inflation is taken into account on dairy farmers' other consumables—a situation compounded and worsened by the anti-investment Budget.

Nigel Earle,
Grange Farm,
Sywell, Northampton.

Statistics used in drawing up airports policy for the U.K.

From Mr C. Meakin

Sir,—I cannot help wonder which interested party's statistics have been given greatest credence in drawing up Britain's airports policy "for the rest of the Century" (June 6). There have been White Papers before on the subject, and the chosen source of facts has largely dictated the flow of logic so sought by senior civil servants.

For years the argument about UK airports policy was dogged by British Airports Authority research which assumed that anyone arriving at Heathrow by road must have set off from a home somewhere in the south east and, therefore, would only be satisfied by the development of more airports for London. Somehow this assumption was accorded the status of received opinion (except by Prof Colin Buchanan in his dissenting note to the Roskill Report and by the Association of British Chambers of Commerce). Indeed to judge by the fudged London v Regions decision on airports policy in the 1985 White Paper, those BAA statistics still have not lost their pervasive influence. Perhaps privatisation will improve them.

At least they have cause to celebrate in the north of England at the long-overdue decision to nominate one airport, Manchester, and give it primacy for the entire region. Buchanan half spotted that way back in 1970 and the ABCC the message home in 1973. I hope that not all of the Whitehall policy machine grinds as slowly as the chaps in charge of airports policy.

Political logic often obstructs all other kinds of logic and there is a whiff of that about the latest decision on Scotland. Prestwick was virtually obsolete the day that jet aircraft were capable of crossing the Atlantic without fuelling stops. The fact was highlighted by the ABCC in 1973 in its widely-respected study "A national plan for airports." The decade since has not been marked by any discernable trend back to short-range piston engine aircraft, so we must presumably look elsewhere for an explanation of Prestwick's survival. Could the proximity of Prestwick to Ayr have anything to do with the fact that the Rt Hon George Younger, the MP for Ayr, is Secretary of State for Scotland?

As they say in the policy-making business, you have to kiss a lot of frogs before you find a prince. Prestwick has always been treated royally, in marked contrast to that frog which stayed steadfastly amphibian despite an awful lot of kissing—the airport project at Maplin. It is therefore gratifying that the Government which has conspicuously declined to resurrect the Maplin dream has been a Conservative Government.

Could it be that Mrs Thatcher knows how Mr Heath spent his brief sojourn in the civil service? If half the stories are to be believed, one of his tasks alongside the redoubtable Alison Munro (in more recent times chairman of the Central Transport Consultative Committee) was to draft an airports policy for the Attlee Government. It could so easily all be myth, of course, but the tale goes that young Ted had the task of drafting the London bit and that explains why the 1970-74 Government stuck with such determination to dreams of ever bigger airports for London.

Christopher Meakin,
33 Plantation Road,
Hong Kong.

FINANCIAL TIMES
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JOINT VENTURE PRESENTS NEW CHALLENGE IN FINANCIAL INFORMATION MARKET

AT&T and Quotron join forces

BY PAUL TAYLOR IN NEW YORK

AMERICAN Telephone and Telegraph (AT&T), the U.S. telecommunications group, and Quotron, the fast growing electronic financial information group, yesterday announced plans jointly to develop and sell a sophisticated, computer-based financial information system, aimed at Wall Street firms.

The deal comes less than three weeks after AT&T announced that it had formed a joint venture with Chemical Bank, BankAmerica and Time to produce and market nationally an extended home banking and brokerage videotext service to individuals and small businesses. It pushes the telecommunications company into the highly competitive but fast growing market for electronically delivered market and financial information.

The new financial information service will compete against others already offered by Allied Corporation's Bunker Ramo unit, Automatic Data Processing, Dow Jones and Reuters and Telerate. But it also appears aimed at directly competing with an embryonic electronic financial information service called International MarketNet, under development by IBM and Merrill Lynch since early last year.

Like the IBM/Merrill Lynch joint venture, AT&T and Quotron plan initially to sell the service to stockbrokers and Wall Street analysts. The two companies said yesterday that the first customer would be Shearson Lehman Brothers, the American Express subsidiary. Under the terms of the deal, Shearson will initially use the system in its New York headquarters before extending it to its brokerage branches and 5,500 brokers nationwide.

The link-up between AT&T and Quotron, which is already a well established leader in the electronic market information sector, is seen on Wall Street as an important strategic expansion for AT&T and a significant step for Quotron, stock in which has been under severe pressure since Merrill Lynch, its biggest customer, announced plans for its own financial information service in conjunction with IBM.

Although the two companies said there would be no equity investment in the project, the agreement will put AT&T's vast resources and marketing power into the fast expanding market for electronic financial and business information.

The preliminary agreement, announced yesterday, provides for the joint marketing of the products and services of both companies. Shortly, they will negotiate contracts for development, marketing and operations.

Unlike most existing electronic stock quote and market information systems which use "dumb" terminals to deliver information on a desktop video screen, the AT&T/Quotron venture will be based on sophisticated and powerful minicomputers – a move that will allow stockbrokers to manipulate the information and use the computers to act upon it, for example electronically executing stock transactions.

AT&T and Quotron said the system would be built around Quotron's Unix computer language-based Q-1000 super minicomputer, AT&T's recently announced Unix PC office workstation and the telecommunication's group's Starlan local area network (LAN) which ties PCs together, allowing them to share information and peripherals. Using telephone lines, Quotron will collect market information and then transmit it to the desktop computers.

Using the system and "windows" on the computer videoscreen, a broker or analyst will be able simultaneously to view current market prices, hold a telephone conversation with a customer, retrieve a computer display of a customer's portfolio, enter notes about the telephone conversation and enter customer orders to buy or sell stock.

AT&T and Quotron gave no details on the cost of the service. However, big brokerage accounts like Shearson Lehman are thought to be worth more than $10m a year.

The service should also provide AT&T with a new market for this expanding range of computer hardware.

Bonn sees stronger surge in investment and exports

BY Jonathan Carr in Frankfurt

WEST GERMANY'S exports and corporate investment will surge ahead this year even more strongly than was expected a few months ago – but the average number of people out of work will be no fewer than in 1984.

This at first glance contradictory picture emerges from the Bonn Economics Ministry at a time when the Government is under intense new pressure to try to cut the jobless total.

The key reason for the seeming contradiction is that while many parts of industry are booming and are taking on some extra staff, the building sector is in deep crisis and shedding labour fast.

Dr Otto Schlecht, State Secretary at the Economics Ministry, said yesterday that German exports were likely to increase by some 8.5 per cent in real terms this year – compared with the 5 to 6 per cent the Government expected in January.

This tends to support other recent estimates that Germany's visible trade and current account surpluses will be far above last year's figures of DM 54bn ($17.9bn) and DM 17.7bn respectively. In the first four months, the trade surplus already totalled DM 19.1bn, after DM 13.9bn in January-April 1984.

Dr Schlecht also said that corporate investment would rise this year by about 9 per cent, compared with the Government's previous estimate of 8 to 7 per cent, and that the inflation rate would be at "around" 2 per cent. At present, inflation is running at 2.5 per cent.

This broadly encouraging picture was supported separately yesterday by Herr Karl Otto Pöhl, the Bundesbank President, who held out the prospect of a further fall in interest rates and hence a boost in investment.

Although the central bank council did not cut its key discount and lombard rates at its meeting yesterday, it is encouraging lower money market rates through its securities repurchase agreements with the banks.

Further good news also came yesterday from the vehicle industry. It reported production was up in May by 18 per cent, that the sector now employed 22,000 more people than a year ago and that short-time work had almost vanished.

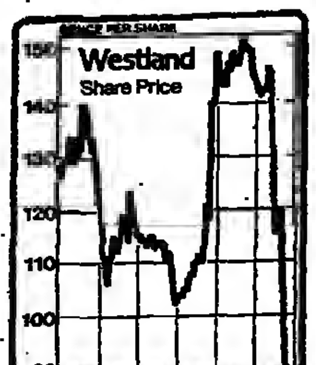
Despite all that, Dr Schlecht stressed that the average number of jobless this year would not drop below the 1984 figure of 2.26m. The Government had previously expected a fall of about 100,000, but the severe winter weather and the building industry crisis had put paid to that.

Construction industry production was down by more than 20 per cent in real terms in the first four months and new orders were down by more than 14 per cent. Dr Schlecht noted the Government was likely to take some steps to help the industry during a cabinet meeting on July 1, but he also warned that many of the problems were structural ones which the Government itself could not cure.

THE LEX COLUMN

Rotor failure at Westland

Bristow Rotorcraft's last-minute decision to ditch its takeover bid for Westland – when it seemed to be cruising in with the belated support of Westland's board – is about as mysterious an episode as has been seen this year. It ends an unsatisfactory story in a peculiarly disconcerting way; while Bristow was reconsidering its position yesterday, the Westland share price was allowed to go into free-fall, and for several hours the market was left unsure whether the proper level for Westland was the 150p offered by Bristow or something nearer half that figure.



Bristow's reasons for letting the offer lapse presumably stem either from fresh disquiet about the Westland balance sheet and prospects – implied in the suggestion that the conditions of the offer might not be met – or from some crumbling at the edges of the bidding consortium. Indeed, a mixture of the two elements cannot be ruled out. Whatever the reasons, the mere fact that Bristow has been for the past week in a position to gain privileged information about Westland means that its withdrawal is bound to raise new doubts about the viability of the helicopter business. At the least, there is a suggestion that material problems have not been generally disclosed to shareholders.

In any event it has been a byproduct of the bid to throw a harsher light on the present Westland management than it can easily survive. By its own admission, it could not have raised capital from its shareholders on terms as good as those arranged by Bristow, and its chances of doing so now cannot have improved. That leaves Westland with the difficult task of devising some other way to secure its future; the hope must be that one of the companies approached by Westland's advisers in their hopeless quest for a white knight will, at the reduced post-bid share price, be prepared to take no the job.

Abbey Life

The fond respect of British merchant banks for what is known as the after-market has always seemed rather quaint to Wall Street investment bankers who are of the radical view that shares should be sold for what they can fetch. Before long American securities houses may try to apply this commonsense approach to the London market and they will hardly be deterred from their endeavour by the recent track-record of British competitors.

While Abbey Life did not quite match the first day premium notched up by British Telecom, yesterday's debut was still an embarrassment for all concerned. The shares climbed to a premium of 29 per cent over the offer for sale price, leaving the vendors a notional £70m out of pocket. There is no guarantee that an American-style placing would have secured for Abbey Life the market capitalisation which the company boasted last night, but it would almost certainly have provided the vendors with proceeds higher than those obtained through the conventional offer for sale. The British method has numerous merits but merchant banks and their brokers cannot afford many more misjudgments on the scale of Abbey Life.

Johnson Matthey

The Bank of England's decision to pass the buck – several hundred million bucks in fact – for the Johnson Matthey Bankers collapse to Arthur Young, JMB's unfortunate auditors, has inevitably resulted in a cloudy version of the events leading up to the rescue. The narrative in the Bank's report and accounts is admirably detailed but at times stretches credulity.

In order to assert that it was not deliberately misled by JMB, the Bank has to conclude that JMB's own management was unaware of the scale of its own problem loans. By June of last year one doubtful exposure was being understated by 50 per cent in reports to the Bank, a discrepancy of around £27m. If JMB simply did not have the systems in place to calculate its loan book, the need for enhanced supervision – and inspection – is even more urgent than it earlier appeared.

The review committee recommendations should, if accompanied by a strengthening of the Bank's own supervisory team, help to restore confidence in regulatory procedures. The abolition of the two-tier banking structure and the demolition of walls between the Bank and auditors are sensible and overdue proposals. Not surprisingly, the committee finds it difficult to balance the need for more formal regulation with the Bank's long-preferred case by case approach. It is hard to see, for example, what the Bank will achieve by adding a new – and more generous – limit on single customer risk to its existing guideline unless the new figure has legislative support. Perhaps the thorniest single issue raised by the JMB affair – the relationship between supervisors and multi-functional financial companies – has still to be properly addressed. In the meantime, the Treasury is to receive a higher dividend from the central bank, leaving that institution's banking department with a current cost retained loss.

Dawson Int'l

Dawson's share price could hardly have swum against yesterday's market tide in London even without the cautious remarks about the present order-book which accompanied the figures for the year to March. Or perhaps the 4p drop to 280p that greeted pre-tax profits growth of 39 per cent to £35m indicates that of Britain's cash-rich textile companies, the market now prefers Nottingham Manufacturing to Dawson.

Yet a value of only 10-and-a-bit times prospective earnings is not asking much from a business which, though it grew at only 13 per cent before tax without the U.S. acquisition, has consistently improved the quality of its earnings. Dawson could, no doubt, have sacrificed the quality of its products to squeeze more out of dollar-based demand last year – but ran into a shortage of the right sort of person to knit them in Scotland. And for all Dawson's own caution about a strengthening pound, it has always preferred to hedge its raw fibre purchases than ride the foreign exchange market.

Equally, Dawson has smoothed the worst of the seasonal bumps in capacity use and cash flow, while still leaving £13m in net cash to buy next winter's cashmere. Cotton jumpers are, it seems, just the thing for an August noonday in Aswan; and while it may be longer before the U.S. army is exercising in cotton long-johns, Dawson never claimed that the new U.S. and German businesses would be transformed overnight.

Pechiney taps new source for funds

By Paul Betts in Paris

PECHINEY, the French aluminium group, has become the first state industrial concern to tap the domestic financial markets with a FFr 800m ($86.8m) issue of non-voting preference shares, known as certificats d'investissement.

Previously, only a number of French nationalised banks, including Société Générale, Paribas and Compagnie Financière de Suez, had issued these new financial instruments.

The certificats d'investissement are one of a battery of new financial instruments which the Socialist Government has allowed nationalised groups to issue to enable them to raise fresh funds on the domestic markets.

Pechiney's decision to go ahead with its issue reflects the group's improved financial health. After major restructuring over the last two years, Pechiney returned to profit last year with net earnings of FFr 550m.

The group, however, continues to need fresh funds for its investment programme and to reduce its debt burden. The new, non-voting preference share issue will enable the group to raise fresh capital at a time when its sole shareholder, the Government, is itself pressed for funds. Pechiney is also taking advantage of the recent bullish climate on the Paris bourse.

But another issue by a state group has encountered growing controversy. This is a proposal by Gaz de France, the gas utility, to make a massive issue of more than FFr 6bn in so-called "titres participatifs" or non-voting loan stock, which state groups can now also float in France. The size of the proposed issue by the lossmaking state gas monopoly, designed to help restructure its balance sheet, has raised eyebrows.

Brussels pledges retaliation over rise in U.S. pasta duty

BY NANCY DUNNE IN WASHINGTON AND QUENTIN PEEL IN BRUSSELS

THE U.S. announced yesterday that it was sharply increasing import duties on EEC pasta in a move which is certain to increase tension in the looming EEC-U.S. farm trade war. Most of the products affected are from Italy.

The move, announced by Ambassador Michael Smith, is in retaliation to the EEC's refusal to end its preferential treatment to Mediterranean citrus fruit suppliers.

The European Commission last night promised immediate retaliatory action against U.S. exports to the EEC in reply to the tariff increases, which are as high as 40 per cent. The counter-actions by the EEC is to be spelt out today and is certain to concentrate on restrictions to U.S. farm exports.

M Willy de Clercq, the Commissioner responsible for external trade, said the U.S. measure had "no legal basis," being contrary both to the rules of the General Agreement on Tariffs and Trade (Gatt) and an understanding concluded between the Community and the U.S. in 1973.

According to Mr Smith, the U.S. has lost about $48m in annual trade because of the EEC citrus policy. He said thet the retaliation would only cost the Community about $35m in reduced exports.

Mr Smith added that President Ronald Reagan was imposing 40 per cent ad valorem duties on products not containing egg and 25 per cent ad valorem duties on pasta containing egg.

"It is with great reluctance that the President had to take this action," Mr Smith said. "We would have preferred to negotiate a solution. However, the EEC was unable to offer a meaningful and adequate solution to solve this dispute."

By selecting pasta for retaliation, instead of dozens of other products which were considered by the trade representative, the U.S. is sending a dual message to the Community: it is acting unilaterally outside the Gatt process, against both the EEC citrus policy and subsidies provided to European pasta exporters.

M de Clercq said the U.S. move "Calls into question the credibility of the U.S. declaration in favour of reinforcing the multi-lateral trading system. The Community has no alternative but to take immediate retaliatory measures."

M de Clercq said President Reagan's announcement failed to take into account any of the arguments used by the Community to defend its preferential arrangements given to citrus imports from Mediterranean countries. That deal was simply intended to contribute to the economic development of those countries, he said, and not to give any economic or trade advantage to the EEC.

Officials in Brussels expressed disappointment last night that President Reagan had not postponed his move, at least until next week when Mr Frans Andriessen, the European Farm Commissioner, will be in Washington for several days of trade talks.

Tokyo rebuffs attack by EEC

BY JUREK MARTIN IN TOKYO

THE TOKYO Government yesterday dismissed the EEC foreign ministers' denunciation of Japanese trading practices as "one-sided" and "unacceptable."

A senior Foreign Ministry official accused the EEC ministerial council of subjecting Japan to a "trial in absentia." The Community, he said, should wait and see what next month's import action programme contained rather than pre-judging it.

In particular, he took exception to two elements of the Community's attack on Japan: the connection between Japan's trade surplus with the EEC – about $10bn – and the need for protectionism and the view that the credibility of the action programme depended solely on whether or not Japan imported more from the Community.

Japan's desire to promote imports, he said, was "global" in scope. It might reduce the surplus with the EEC, but that depended as much on the Community as it did on Japan.

In any case, he went on, the surplus with the EEC was "structural" in nature. Other ministry officials suggested that Europe needed to recover its competitiveness and make more effort to sell in Japan.

The senior official also charged that the EEC itself was marked by "protectionist characteristics" – presumably an allusion to the latest increase in EEC tariffs no certain imported electronics goods.

In general, the Japanese focus on the EEC foreign ministers' meeting has been exclusively on its threats to Japan. Its simultaneous criticism of the U.S. has largely passed unnoticed and unreported in Japan.

Kevin Brown writes from London: Mrs Margaret Thatcher, Britain's Prime Minister, yesterday urged Tokyo to increase the international value of the yen in order to reduce Japan's competitive advantage in international trade.

She also made clear that Japanese trading policies would be a major subject for debate at the summit of EEC leaders in Milan next week.

Tokyo urged to ease petrol policy; Slow progress on U.S. talks, Page 5

Shia chief accepts offer

Continued from Page 1

But he did confirm that a group of passengers with Jewish-sounding names were being held separately from the other passengers and all were in good health.

The sometimes contradictory flurry of statements came as President Reagan was preparing for a previously arranged meeting with Mr Alexander Hay, president of the International Red Cross.

● The death toll from the bomb which exploded on Wednesday evening in the northern Lebanese port of Tripoli rose yesterday to 75 with more than 150 wounded. A car packed with explosives blew up in front of a sweets shop. There were no obvious political targets nearby and no group has so far claimed responsibility.

● The Greek Tourist Board has reported a wave of holiday cancellations by Americans and has accused President Reagan of "injustice" in telling people to avoid Athens airport. A spokesman for the board said: "There are a large number of cancellations affecting cruise ships and hotels, it is a moral provocation and the tourist trade is very embittered."

Flash data project 3.1% U.S. growth

Continued from Page 1

investment and government purchases to rise moderately.

No serious deterioration in the foreign trade sector is anticipated and it is this coupled with the signs that the consumer is still spending at a healthy rate which accounts for most of the revival in growth.

Many private economists share the judgment of Dr Albert Wojnilower, chief economist of First Boston, who said yesterday that the economic outlook is good. The blue chip economic indicators consensus of private economists' forecasts for 1985 points to some acceleration in growth taking the annual year on year expansion to 2.9 per cent compared with 6.6 per cent in 1984.

The sharp decline in interest rates as a result of the decisive easing in Fed policy in May and June is seen as an important factor helping to revive the economy. Lower interest rates are also helping to ease some of the pressures on the financial system.

But the uncertainties about the outlook are great. The strength of the dollar and the growing share of imports in domestic consumption are continuing to weaken the manufacturing sector where unemployment is rising. There are fears that President Reagan's tax reform plan and the uncertainties surrounding its ultimate shape could have a depressing effect on the economy and capital investment and worries about consumer confidence.

It is recognised too that there are limits to the extent to which the Fed can stimulate the economy without endangering its hard won credibility as a bulwark against inflation especially when so much domestic stimulus is leaking abroad through the trade deficit.

Inflation, however, remains subdued with consumer prices rising only 0.2 per cent in May and at an annual compound rate of 4.3 per cent in the past three months, according to Commerce Department figures released yesterday. The Department also said that it is expecting sluggish economic growth to continue to take its toll on corporate profits.

● The growth figure, which was above expectations in foreign exchange markets, brought a strong rebound in the value of the dollar and substantial losses for sterling, writes **Philip Stephens in London.**

The U.S. currency, which had fallen earlier this week in anticipation of a lower figure, climbed by 5.3 pfennigs to close in London DM 3.0730.

The dollar's recovery was also underpinned by the slowdown in inflation in the second quarter.

UK bank plans

Continued from Page 1

ommendations made to the review committee by the accountancy institutes of England, Wales and Scotland.

In its first full account of the JMB crisis, the Bank of England said yesterday that the collapse was due to bad management rather than fraud, for which no evidence has been uncovered. In its annual report, it said JMB had failed to report that most of its lending was concentrated to two borrowers, both doubtful credit risks.

Shortly before it collapsed, JMB had lent 115 per cent of its capital to these two, but reported only 72 per cent. One of the borrowers is now being investigated by the police.

The Bank of England will be paying an increased dividend of £25.3m ($32.1m) to the Treasury even though its profits were sharply reduced by the £34m it has injected into JMB to cover its losses. In addition the Bank has capitalised a £100m deposit it made with JMB to give it working capital.

Mr Lawson said he should have been told that £100m had been deposited by the Bank with JMB last November, adding that this was now generally accepted by the Governor of the Bank. There was apparently a sharp exchange between Mr Lawson and Mr Leigh-Pemberton on the day after his original statement to the House of Commons last December when he had not known about the deposit which had been made the previous month.

World Weather

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	F	22	72	Dubrovnik	S	21	70	Malaga	S	24	75	Salzburg	C	15	59
Akrotiri	S	27	81	Faro	S	22	72	Malta	F	27	81	Seoul	S	29	84
Algiers	F	25	77	Florence	F	23	73	Manila	-	—	—	Singapore	S	31	88
Amsterdam	R	18	64	Frankfurt	S	22	72	Miami	S	31	88	Stockholm	C	21	70
Athens	S	32	90	Funchal	C	21	70	Milan	F	20	68	Strasbourg	C	15	59
Bahrain	S	37	99	Geneva	R	19	66	Moscow	C	19	66	Sydney	C	15	59
Bangkok	R	29	84	Gibraltar	S	23	73	Munich	C	11	52	Taipei	S	30	86
Barcelona	S	21	70	Guernsey	S	16	61	Nairobi	-	—	—	Tangier	S	23	73
Beirut	-	—	—	Helsinki	F	21	70	Naples	F	24	75	Tehran	-	—	—
Belgrade	C	22	72	H. Kong	C	25	77	New Delhi	C	36	97	Tel Aviv	C	25	77
Berlin	C	20	68	Innsbruck	F	14	57	New York	S	26	79	Tenerife	S	26	79
Biarritz	F	19	66	Inverness	C	13	55	Nice	S	22	72	Tokyo	C	22	72
Blackpool	S	15	59	Istanbul	F	22	72	Oporto	S	21	70	Toronto	S	21	70
Bordeaux	C	19	66	Jersey	F	15	59	Oslo	F	21	70	Tunis	S	27	81
Brussels	R	20	68	Jo'burg	S	18	64	Paris	S	19	66	Valencia	F	26	79
Budapest	R	18	64	Las Palmas	F	24	75	Prague	R	12	54	Venice	C	17	63
B. Aires	R	14	57	Lima	C	19	66	Reykjavik	F	13	55	Vienna	R	17	63
Cairo	S	30	86	Lisbon	S	22	72	Rio de J'o	S	27	81	Warsaw	S	21	70
Cape Town	S	19	66	Locarno	F	20	68	Rome	C	27	81	Zurich	F	15	59
Caracas	C	27	81	London	C	20	68								
Casablanca	S	23	73	Los Angeles	S	27	81								
Copenhagen	C	18	64	Luxembourg	S	11	52								
Corfu	F	24	75	Madrid	S	23	73								
Dublin	C	16	61	Majorca	F	23	73								

Readings at mid-day yesterday:

C-Cloudy D-Drizzle F-Fair Fg-Fog R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

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SECTION II – COMPANIES AND MARKETS
FINANCIAL TIMES
Friday June 21 1985

Ford-Werke suffers loss of DM 298m in year

BY JOHN DAVIES IN COLOGNE

FORD-WERKE, the West German subsidiary of the U.S. motor manufacturer, plunged into DM 298.1m ($98.5m) loss last year but expects to return to profitability in the "medium term."

The financial setback comes after three years of profits and is the worst result since a heavy loss of DM 462.8m in 1980. Profits recovered steadily to DM 324.3m in 1982 but then slipped by more than half to DM 150.6m in 1983.

Ford-Werke's sales revenue last year fell by 4 per cent to DM 12.8bn. Car production was down 5.8 per cent at 752,695, although output of Transit vans rose 13.3 per cent to 39,075.

M Daniel Goeudevert, its French chief executive, avoided a forecast of this year's results but said that steps being takeo to keep down costs and increase earnings would not have a short-term impact.

Herr Gerd Töpfer, finance chief, said that sales revenue in the first five months of this year was about DM 6bn, 5 per cent up on a year ago. While vehicle output was down, the product mix was better, he said.

Ford increased its share of the West German car market to 12.5 per cent last year from 12 per cent in 1983. Although its share in the first four months of this year was down to 9.8 per cent, it expects to take 11-12 per cent during the year as a whole, aided by its recently introduced Scorpio model.

FORD-WERKE

	Sales (DM bn)	Profit (DM m)
1979	10.91	483
1980	8.69	(−462.8)*
1981	10.54	143.6
1982	11.72	324.3
1983	13.35	150.6
1984	12.78	(−298.1)*

*Loss in 1980 and 1984

Executives blame the setback on a number of factors, including persistent Japanese pressure on the European car market and cautious consumer spending brought about by high unemployment.

In addition, Ford-Werke's exports to the UK fell substantially, its product mix was worse, with more emphasis on cheaper cars with lower margins, and there were heavy promotional costs in line with competitors' marketing efforts.

One way for car manufacturers to reduce costs substantially, M Goeudevert said, was to co-operate with other companies, for instance by exchanging parts or by joining in development work on components.

But he brushed aside speculation about a link up between Ford and Fiat of Italy, declaring that talks were being held by the parent company. He denied that a link up was being delayed until Ford-Werke's financial position improved. The talks were being beld on a worldwide basis between two healthy, profitable companies, be said.

Fiat was a diversified group and the whole motor industry was looking at co-operation and diversification, he added.

Opel, the West German subsidiary of General Motors of the U.S., was more seriously affected by the labour dispute, which disrupted assembly work at its big Rüsselsheim plant near Frankfurt for about seven weeks. Opel is reported to have met with a sharp setback in its earnings last year but will not disclose details until next week.

Volkswagen, West Germany's largest car manufacturer, made a group net profit of DM 228m last year after suffering losses of DM 300m in 1982 and DM 215m in 1983.

Saab Scania profits up 14%

By David Brown in Stockholm

SAAB-SCANIA, the Swedish automobile and aerospace group, reports its profit after financial items for the first four months ending April rose by 14 per cent to SKr 1.03bn ($117.3m), despite stagnant car sales.

Group turnover during the first four months climbed by 23 per cent to SKr 10.25bn, of which almost two-thirds was generated outside Sweden. Order bookings were up 14 per cent to SKr 10.28bn.

Operating income after depreciation was ahead by 19 per cent to SKr 1.01bn, but a sharp improvement in net financial income was offset by higher exchange costs.

Sales in the Scania truck and bus division grew by 26 per cent to SKr 3.33bn. The unit sold 8,176 units, compared with 6,894 during the same period a year earlier.

Scania has strengthened its market positioo in Western Europe. It is also starting to build up a dealer network in the north-eastern U.S. Although profits are not reported by division, Saab said the unit's result "exceeded that achieved during the same period last year."

Volume sales of Saab cars were roughly stable at 39,400 units in a weak European market and in the midst of heavy competition in North America. Turnover climbed by 19 per cent to SKr 4.07bn, but the result remained unchanged. Total output is expected to rise to some 112,000 units this year.

The group is investing in new plant and equipment to increase capacity of its auto division to 150,000 units by the end of 1988.

The aircraft division reported 31 per cent higher sales of SKr 827m but said profits were still lower than last year.

The division receotly won 12 new orders for the Saab-Fairchild SF-340 commuter aircraft – although the total number of firm orders remains at roughly half the break-even point – and is refurbishing 24 Draken military aircraft for the Austrian air force.

National Semiconductor reports $2.7m deficit

BY PAUL TAYLOR IN NEW YORK

NATIONAL Semiconductor, the third largest U.S. semiconductor manufacturer, yesterday reported a $2.7m or three cents a share net loss in its fiscal fourth quarter and a sharp 32 per cent decline in full-year net profits.

The company's fourth-quarter loss, its first quarterly loss for more than two years, highlights the plight of the U.S. semiconductor industry facing weak demand and fierce price competition. Two weeks ago National Semiconductor cut its 37,000-strong U.S. and European workforce by 1,300 and cancelled plans for a new plant in Oregon.

Mr Charles Sporck, president and chief executive, commenting upon the results for the fiscal quarter end May 31 said: "Our fourth-quarter results in our semiconductor division were negatively impacted by reduced demand and intense pricing pressure, resulting in lower sales. Although we have made substantial efforts to minimise the effects of the current slump in semiconductors, we have not realised substantial improvement in our financial picture."

Mr Sporck added: "The softness in semiconductor order rates which began in mid-1984 still persists. Tn date, the company bas experienced no improvement. Until there is a significant and sustained improvement in order rates for nur semiconductor division, our financial performance will be under increasing pressure."

The Santa Clara, California-based group's fourth-quarter net loss, which came after a $3.8m or 4 cents a share extraordinary credit, compared to oet earnings of $24.4m or 28 cents a share in the year-earlier period wben earnings were bolstered by a $7.8m nr nine cents a share extraordinary credit. Sales fell by 8 per cent to $428.6m in the latest quarter

For the full fiscal year, National Semiconductor reported net earnings of $43.2m or 48 cents a share, after a $8.8m or 10 cents a share extraordinary credit. This compared with $64m or 75 cents a share, after a $7.6m or nine cents a share extraordinary credit, in the previous fiscal year. Sales for the full year increased by 7 per ceot to a record $1.79bn from $1.66bn.

Esso may close one W. German refinery

By Peter Bruce in Hamburg

ESSO, one of West Germany's biggest oil refiners, bas binted that it may have to close at least one of its remaining three refineries in the country in an effort to stem heavy losses in its oil business.

Warning that "all refineries in West Germany are in danger" because of continuing overcapacity, Herr Wolfgang Oehme, Esso chairman, said the company was in the process of drawing up a new corporate plan "to strengthen our position as an efficient competitor in an overcrowded market."

The core question facing Esso, be said, was which refineries looked like survivors and which did not. Nearly all West German refiners lost beavily in oil last year and, referring to the industry as a wbole, Herr Oehme said: "It is unavoidable that more refineries will close."

Total West German refining capacity bas fallen from 160m tonnes in 1978 to 105m tonnes at the beginning of this year. Many oil company executives are predicting that even with an expected fall to 90m tonnes this year, national overcapacity will still be running at up to 25m tonnes.

Both Esso and Mobil, the two latest oil groups to report 1984 figures, said they had improved net profits last year but only because of sharp improvements in their chemicals and natural gas operations.

Rosenthal plans to lift payout

BY JOHN WICKS IN ZURICH

ROSENTHAL, the German porcelain company, proposes to increase its dividend from DM 7 ($2.31) to DM 7.50 per share following a rise in 1984 net earnings from DM 4.22m to DM 4.55m.

Group turnover went up by 8.5 per cent to DM 666.5m last year, of which sales outside Germany amounted to 52.5 per cent. Above-average growth rates were recorded for ceramics (up 15.7 per cent), cutlery (up 15 per cent) and furnishings (up 8.5 per cent).

Of the two main product groups, porcelain showed a 6.9 per cent drop in turnover to DM 219.8m, while sales of technical ceramics jumped by 23.5 per cent to DM 235.8m.

Despite this sharp increase in the technical-ceramics field, the compaoy sold a 75 per cent stake in its subsidiary Rosenthal Technik to the Frankfurt-based Hoechst group at the start of this year.

This company, in which Rosenthal has invested a total of DM 120m over the past 10 years, had shown only a slight rise in earnings owing to sharp international competition. Rosenthal now states it could not afford the necessary "further substantial investments in technical ceramics"

At the same time, the former subsidiary Rosenthal Glas und Porzellan has been merged with the parent company. This marks a concentrating of efforts in what the group says is the profitable and promising consumer-goods sector.

CGE in venture talks with General Electric and Toshiba

BY PAUL BETTS IN PARIS

COMPAGNIE Générale d'Electricité (CGE), the French nationalised electronics, telecommunications and heavy engineering conglomerate, is negotiating joint ventures and other possible collaboration with General Electric of the U.S. and Toshiba of Japan in the factory automation field.

The French group is seeking to build up a growing presence in the factory automation industry. M Georges Pebereau, CGE's chairman, also indicated yesterday that apart from the negotiations with GE and Toshiba, the French group was seeking to acquire a computer aided design and manufacturing company to reinforce its factory automation activities.

CGE together with Renault, the state owned French car group, have long been seen by the French Government as the two major poles of the French factory automation industry.

Renault until recently has been by far the more active of the two French groups in this field, having built up a major factory automation division. However, the car group is now reconsidering its overall strategies in an effort to cut the group's huge losses.

CGE is currently showing increasing interest in boosting its factory automation operations, which it sees as offering important future growth opportunities especially in the context of the European "Eureka" high-technology programme.

M Pebereau cited a number of projects involving CGE and the Eureka programme during a visit yesterday to CGE's research centre at Marcoussis, outside Paris. These include CGE's current research and development in laser applications for factory automation and artificial intelligence.

French industrialists are increasingly viewing the Eureka initiative launched by President François Mitterrand as an opportunity to promote industrial co-operation between European groups in key high-technology areas.

But they also regard Eureka as complementary to the U.S. Government's Strategic Defence Initiative (SDI) in that European collaboration could strengthen the hand of some European industries in winning some of the potential $27bn SDI orders.

While CGE is looking for European partners in laser, telecommunications and other electronics sectors like artificial intelligence, the French Government is also pressing for European collaboration on a European scale in other specific sectors involving the nationalised Thomson defence and electronics group and the nationalised Bull computer group.

The French Government would especially like to see an alliance forged between Thomson and Siemens of West Germany in the semiconductor sector.

Amro calls for Fl 255m

By Laura Raun in Amsterdam

AMSTERDAM-Rotterdam Bank (Amro), the second largest bank in the Netherlands, yesterday announced a one-for-ten rights issue that will raise Fl 255.5m in fresh capital.

Amro also said that earnings over the first half would climb significantly and that profit for all of 1985 would be "favourable." The Dutch bank posted a profit of FL 252m last year.

The issue price of the 3.65m shares will be Fl 70 a share, a Fl 9 discount from yesterday's closing price on the Amsterdam Stock Exchange.

The share issue could be enlarged if holders of certain convertible bonds exercise their option before June 25, the opening date for subscriptions. Subscriptions close on July 5.

Haniel expects sales advance

BY OUR FRANKFURT CORRESPONDENT

FRANZ HANIEL, the family-owned West German trading concern, expects to boost consolidated group sales this year to around DM 15bn ($4.95bn) from DM 13.6bn in 1984 – thanks especially to buoyant business in the U.S.

Scrivner, Haniel's food retail and wholesale operation in the U.S., is alone likely to contribute around $3bn to the overall group sales total.

Scrivner last year acquired, and later merged with, the Flickinger food chain based in Buffalo, New York – thus forming a group with more than 130 supermarkets and 14 wholesale food distribution centres in 23 states.

Mainly as a result of the Flickinger acquisition, Haniel's consolidated sales jumped by DM 4.7bn in 1984 to DM 13.6bn – and capital expenditure soared to a new record of DM 748m after DM 311m in 1983. After-tax net profit totalled DM 77m after DM 75m in the same period last year.

Haniel, which is centred on Duisburg in the Ruhr area and which dates back than 200 years, is active in broad industrial and services operations as well as in the food sector.

In April it disposed of 50 per cent of its holding in Haniel Handel, one of the country's biggest energy trading companies, to Mobil Oil of Hamburg.

INTERNATIONAL BONDS

Floating rate note euphoria evaporates

BY PETER MONTAGNON, EUROMARKETS CORRESPONDENT, IN LONDON

THE newly-fledged market in floating rate notes with maximum coupons was beginning to look almost exactly like a nine-day wonder yesterday as several more issues were launched, some of them poorly received.

The euphoria that drove the first two issues last week for Banque Indosuez and Banque Française du Commerce Exterieur well over par has now evaporated and with it the prospect thet speculative buyers can make short-term gains by lapping up the paper on issue.

Instead investors are now looking much more closely at the interest risk they are running by taking the maximum coupon feature aboard. If that has made them more cautious, so has the fact that some new issues now seek to graft fancy eleborations on to the original formula.

A case in point was yesterday's $100m perpetual issue for Allied Irish Banks which is led by Salomon Brothers. The deal bears a coupon of ½ per cent over three month Libor (London interbank offered rate for Eurodollar deposits) and a maximum coupon of 13 per cent for the first 12 years after which the issue can be called.

Unhappily for Allied Irish the higb margin failed to attract, although it is double the level set on its previous perpetual issue which was also poorly received. There are two main factors behind this: one is that buyers of perpetual paper must feel confident of their ability to sell if the credit risk deteriorates, while the other is that buyers of capped floaters must be sure of selling if interest rates start to rise.

When the two structures are combined in one they therefore need to be doubly certain of good trading liquidity. Most investors doubted that this could be the case with a smallish issue from a lesser known bank and the paper, which bears fees of 1 per cent, slipped badly in initial dealings.

Crédit Lyonnais also met some resistance to a $250m capped floater which it is leading for itself alongside Credit Suisse First Boston. The 12-year deal bears a margin of ¼ per cent over three month Libor and a maximum coupon of 12¾ per cent. That this is lower than the cap on other similar issues did not help as it adds to investors' risk. But bankers said another problem was that French borrowers have saturated this sector of the market.

By contrast a $100m, 12-year deal for Westpac Banking, which bears a margin of ¼ per cent over six month Libor and a maximum coupon of 13 per cent met a much better response, trading at a discount of around 5 basis points compared with total fees of 40. Led by Morgan Stanley and Westpac itself the deal clearly benefited from being the borrower's first floating rate issue which attracted interest from Japanese buyers particularly.

Republic New York Corporation meanwhile launched a conventional $100m, 25-year floater through Salomon Brothers, Merrill Lynch, Shearson Lehman and Bear Stearns. The deal carries a margin of ⅛ per cent over three month Libor, which the market judged to be rather tight.

Also in the floater sector, Merrill Lynch launched a $150m, eight-year issue for Prism Bond, a company formed specially in Germany to on-lend the funds to Crediop, Italy's state finance house. This is the second floater to use the so-called "conduit" system for what is essentially an Italian deal. It is a means of avoiding the Italian withholding tax payable on direct lending.

The bond bears interest at the higher of six-month Limean and one month Libor and is thus another mismatch issue, continuing the modest comeback of this structure begun last week with a $200m issue for Hydro Quebec.

Fixed rate issues closed the day weak and nervous after yesterday's U.S. economic data, but Long Term Credit Bank increased its earlier 10½ per cent issue to $150m from $100m and John Labatt, the Canadian brewer and food concern, launched a $100m, 10-year 10½ per cent issue at 99½ per cent through Wood Gundy. The deal was moderately well received.

In Germany Inter-American Development Bank launched a DM 250m, 10-year 7¼ per cent issue at par through Deutsche Bank. Secondary market trading was quiet and nervous but the deal was helped by the quality of the name, which is better than most recent issues.

Also well received was the first Ecu issue with equity warrants launched by Génerale Bank for Pabelfima, the Belgian paper product company whose stock is a high flier on the Brussels bourse. The Ecu 20m issue bears a 7 per cent coupon over ten years and the warrants carry an exercise premium of around 9 per cent.

Elsewhere New Zealand Steel Development launched a Y25bn, 10-year 6.8 per cent Samurai issue at 99¾ per cent through Nikko Securities. The U.S. Federal National Mortgage Corporation is reportedly planning to tap this sector soon.

Other new issues included a DKr 200m, seven-year bond for Norsk Hydro led at 11¾ per cent and par by Copenhagen Handelsbank and Hambros.

DG Bank of Frankfurt is tapping the New Zealand dollar market for a five year 16½ per cent deal priced at 100¼ and led by Morgan Guaranty, itself, Bank of New Zealand and Kredietbank.

Norway's shipyard finance concern Laaninstutet Skipsbyggerine last night launched a $50m, five-year bond through Den norske Creditbank. This is a very rare Norwegian state guaranteed issue and bears a correspondingly low coupon of 9⅝ per cent at par.

International bond service, Page 20

INTERNATIONAL COMPANIES and FINANCE

Chrysler finalises $637m takeover of Gulfstream Aerospace

BY TERRY DODSWORTH IN NEW YORK

CHRYSLER, the third largest U.S. car company, finalised terms for a $637m takeover of Gulfstream Aerospace in the second major diversification into the aerospace sector by one of the country's leading motor manufacturers, as reported in later editions yesterday.

The deal follows General Motors' acquisition of Hughes Aircraft earlier this month, and will fuel speculation about a similar diversification for Ford, the third of the large U.S. vehicle manufacturers. Ford has already signalled its interest in the aerospace business by counter-bidding for Hughes against General Motors.

Mr Lee Iacocca, chairman of Chrysler, said yesterday that the Gulfstream acquisition was an important step in the company's long-range plan to diversify into high-technology industries such as aerospace and electronics.

While continuing to invest heavily in the automotive industry, Chrysler was also interested in fast-growing sectors such as financial services, he added.

Like the other U.S. car companies, Chrysler has enjoyed a high level of profitability over the last 12 months, and has been additionally helped by the tax shelter created by large tax loss carryforwards from the period in the late 1970s when it almost collapsed. By the end of last year it had about $1.7bn of cash or liquid funds available.

It said yesterday that the Gulfstream acquisition would be financed by $310m in cash and $327m of notes. All public shareholders would receive cash, but Mr Allen Paulsen, the Gulfstream chairman who owns 71 per cent of the company would receive a combination of cash and notes valued at $19 a share.

Mr Paulson had agreed to vote his shares in favour of the merger, Chrysler said.

Last year Gulfstream had sales of $602m, and net earnings of $27m, or 80 cents a share, down from $53m, or $1.62 a share. It is seen as one of the most successful companies in the competitive executive aircraft market, mainly because of the success of its Gulfstream III aircraft.

Olympia's Gulf bid hangs in balance

BY BERNARD SIMON IN TORONTO

THE PROPOSED acquisition by the Canadian property developer Olympia & York Developments of Chevron Corp's 65 per cent interest in Gulf Canada appeared to be in the balance yesterday after an announcement by Olympia that certain requirements relating to the transaction remain to be fulfilled.

Olympia had until 8pm Eastern Daylight Time last night to withdraw its C$3bn (U.S.$2.2bn) bid for control of Gulf, Canada's fourth largest integrated oil company. Chevron agreed earlier this week to extend the withdrawal deadline by three days.

Olympia said yesterday that Canadian tax authorities had provided favourable rulings for the transaction, which is expected to include a reshuffling of Olympia's other interests, notably its 93 per cent stake in the newsprint and forest products company, Abitibi Price. But Olympia added that further requirements and "other matters" related to the proposed acquisition, one of the largest in Canadian business, had not been fulfilled by midday yesterday.

The company, a private group controlled by the Reichmann family of Toronto, gave no details of the remaining obstacles to agreement with Chevron.

Chevron said that Olympia has given no indication that it plans to withdraw.

FT INTERNATIONAL BOND SERVICE

The list shows the 200 latest international bond issues for which an adequate secondary market exists. The following are closing prices for June 20.

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Amex Credit 10 7/8 90	100	101 7/8	102 3/8	−0 1/2	+0 1/4	10.29
Amex Credit 12 1/8 88	150	106 7/8	107 3/8	−0 3/8	+0 1/2	9.95
Bank of Tokyo 13 5/8 91	100	113 1/2	114	−0 1/2	0	10.43
BP Capital 11 3/8 92	100	102 1/4	102 3/4	−0 3/8	+0 3/8	10.35
Caisse Nat Tels 13 3/4 91	100	114 1/8	114 5/8	−0 3/8	+0 1/2	10.41
Canada 11 1/2 90	500	106 1/2	107	−0 1/2	+1	9.84
Canadian Pac 12 1/8 95	75	108 5/8	109 1/8	−0 3/4	+0 7/8	11.27
CBS Inc 11 3/8 92	100	102 3/4	103 1/4	−0 1/2	+0 1/2	10.74
Chevron U.S.A. 12 1/4 88	600	104 3/4	105 1/4	−0 1/4	+0 3/8	10.70
Coca Cola 11 3/4 91	100	107 3/4	108 1/4	−0 1/4	+0 3/8	9.88
Denmark Kingdom 11 1/2 00	100	103 7/8	104 3/8	−0 3/8	+0 7/8	10.97
Denmark Kingdom 11 1/2 92	100	103 3/4	104 1/4	0	+1 1/8	10.82
Denmark Kingdom 13 1/4 91	100	111 3/4	112 1/4	−0 1/4	+1	10.51
Denmark Kingdom 14 81	100	119	119 1/2	−0 3/8	+0 3/4	11.38
E.E.C. 11 1/8 00	100	103 5/8	104 1/8	−0 1/4	+0 3/8	10.86
E.I.B. 12 95	200	108 5/8	109 1/8	−0 3/8	−0 1/2	10.59
E.I.B. 13 96	200	111	111 1/2	−0 1/4	+0 7/8	11.17
Export Dev Corp 12 89	100	106 3/8	106 7/8	−0 3/8	+0 1/2	10.01
Exxon Capital Corp 0 2004	1800	13 1/8	13 5/8	−0 3/8	−0 1/4	10.98
Ford Motor Cred 11 1/8 95	100	102 1/4	102 3/4	−0 1/8	+0 3/8	11.17
Ford Motor Cred 11 3/4 92	100	104 1/4	104 3/4	0	+1	10.77
Gen Elec Credit 10 1/4 00	200	100 3/4	101 1/4	−0 1/8	+0 3/8	10.11
GMAC 10 3/4 87	200	100 5/8	101 1/8	−0 1/8	+0 3/8	9.97
IBM Credit 10 3/8 2000	300	101 1/2	102	−0 1/2	+1 1/4	10.12
IBM Credit Corp 11 3/8 87	200	104 1/2	105	0	+0 3/8	9.29
Indust Bk Japan 12 7/8 00	100	108 3/4	109 1/4	−0 1/4	+0 1/8	10.15
Int-Am Dev Bk 12 3/4 91	150	109 3/4	110 1/4	−0 3/8	+0 3/8	10.40
Japan Air Lines 13 3/8 94	100	118 1/8	118 5/8	−0 1/4	+0 1/8	10.19
Kellogg Company 10 7/8 00	100	102 1/2	103	−0 1/2	+0 3/8	10.05
Kellogg Company 11 1/4 92	100	104 1/4	104 3/4	0	+0 7/8	10.25
L.T.C.B. 12 7/8 91	100	110 1/4	110 3/4	−0 3/8	+0 3/8	10.50
Macy Cred Corp 11 3/4 95	100	105 3/4	106 1/4	−0 3/8	+0 3/8	10.70
Mellon Bank 13 87	100	106	106 1/2	−0 1/8	+0 7/8	9.88
Merrill Lynch 12 3/8 00	100	105 5/8	106 1/8	−0 1/4	+0 1/2	10.92
Minnesota 11 1/2 97	100	103 5/8	104 1/2	0	+0 3/8	9.88
Mitsui Trust 11 1/8 90	100	104	104 1/2	−0 1/8	+0 1/8	10.49
Montagu 13 3/4 91	100	108 5/8	109 1/8	−0 1/8	+0 3/4	11.18
Morgan Guaranty 12 5/8 88	150	106 3/4	107 1/4	−0 1/8	+0 1/4	10.24
Nippon Cred Bk 13 7/8 89	100	110 7/8	111 3/8	−0 3/8	+0 1/2	10.37
Nth America 12 7/8 91	100	† 106 3/8	106 7/8	+0 1/8	+0 3/4	11.32
Penney J.C. 12 3/4 91	100	105	105 1/2	−0 1/4	+0 1/2	10.88
Pru Realty secs 12 3/4 95	546	106 1/2	106 5/8	−0 3/4	+0 1/4	10.88
Quebec Hydro 11 1/2 92	100	105 7/8	106 3/8	−0 3/8	0	10.28
Ralston Purina 11 3/4 95	150	105 7/8	106 3/8	−0 1/4	+0 1/2	10.78
Ralston Purina 12 3/4 90	100	108 1/4	108 3/4	−0 1/4	+0 3/8	10.18
Royal Bk Can 12 3/4 92 XW	100	102 1/2	103 1/8	0	−1 1/4	12.03
Saskatchewan 10 3/4 92	100	101 7/8	102 3/8	−0 1/4	+1	10.27
Saskatchewan 11 7/8 89	100	105 7/8	106 3/8	−0 1/4	+0 1/2	10.05
Statoil 13 1/2 89	100	111 1/8	111 5/8	−0 7/8	+0 3/8	9.97
S Wales Tray 11 3/4 90	150	105 1/4	105 3/4	−0 3/8	+0 1/2	10.24
Swed Exp Cred 12 3/4 89XW	100	107 1/4	107 3/4	−0 1/4	+1 1/8	10.43
Sweden Kingdom 10 7/8 00	200	102 1/2	103	−0 1/4	+0 3/8	10.12
Sweden Kingdom 11 1/2 89	200	104 7/8	105 3/8	−0 1/2	+0 3/4	9.98
Sweden Kingdom 11 3/4 94	100	106 3/4	107 1/4	−0 1/4	+0 3/4	10.52
Texaco Capital 12 7/8 87	300	105 3/4	106 1/4	−0 1/4	+0 3/4	9.88
Tokai Asia 11 1/2 95	100	103 1/4	103 3/4	−0 3/4	−0 1/8	10.90
Victorian Rep 11 1/8 92	100	105 1/2	106	−0 1/4	+0 1/2	10.40
Walt Disney Pro 12 1/2 87	150	105 1/8	105 5/8	−0 3/8	+0 3/4	9.70
Weyerhaeuser 12 1/4 87	150	105	105 1/2	−0 1/8	+0 7/8	9.56
World Bank 12 1/4 94	100	110 1/4	110 3/4	−0 1/4	+0 7/8	10.42
World Bank 12 7/8 94	200	113 1/4	113 3/4	−0 1/4	+0 3/8	10.59

Average price change On day −0 1/4 on week +0 3/8

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Asian Dev Bank 8 94	200	† 103 1/4	103 3/4	+0 1/8	+0 3/8	7.45
Austria Republic 7 5/8 94	200	† 102 7/8	103 3/8	+0 1/8	+0 3/8	7.12
Baxter Travenol 7 1/4 94	200	† 102	102 1/2	0	0	9.88
Credit National 8 1/8 94	200	† 104 3/4	105 1/4	+0 1/2	+0 1/2	7.31
Degussa Int Fin 7 1/2 94	100	† 104	104 1/2	+0 1/4	+0 1/8	6.83
E.E.C. 8 92	200	† 104	104 1/2	+0 1/2	+0 1/4	7.16
E.I.B. 7 3/4 94	300	† 100	100 1/2	0	+0 1/4	7.20
Escom 8 92	150	† 100	100 1/2	0	0	7.94
Ferrovie Dello Stato 8 91	100	† 104 1/2	105	+1 1/4	+0 1/4	6.98
Finland Republic 7 92	200	† 99 1/4	99 3/4	+0 1/4	+0 1/8	7.08
Gould Int Fin 7 3/8 91	100	† 103 1/4	103 3/4	0	0	9.88
Ireland 8 1/8 92	150	† 102 3/4	103 1/4	+0 1/4	+0 1/4	7.55
Japan Fin Corp 7 5/8 91	100	† 102 3/4	103 1/4	0	−0 1/2	7.08
Mitsubishi Hvy 3 1/2 89WW	300	† 116	116 1/2	−0 3/4	−3 3/4	−0.72
Mitsubishi Hvy 3 1/2 89XW	300	† 90	90 1/2	+0 1/4	−0 1/2	6.48
Mitsubishi Met 3 1/8 89WW	100	† 100 1/2	101 1/2	+0 3/4	+1	9.88
Mitsubishi Met 3 1/8 89XW	100	† 86 3/4	87 1/4	+0 1/4	−0 1/4	6.56
Pepsico O/S Fin 7 1/4 94	250	† 103	103 3/4	+0 1/8	+0 3/8	6.72
Renfe 7 3/4 95	100	† 103 1/4	103 3/4	0	0	7.67
Renown 3 1/4 00	80	† 100	105	−0 1/2	−1	2.17
Reynolds O/S Fin 7 3/8 94	125	† 103 1/4	103 3/4	+0 1/4	+0 1/4	6.94
Societe Cent Nuclear 8 91	100	† 104	104 1/2	0	+0 1/4	7.11
Sth African Tran 7 5/8 92	100	† 96 1/2	97	0	+0 1/4	8.21
World Bank 7 3/4 89	100	† 102	103	0	+0 1/4	6.93
World Bank 8 94	200	† 103 1/4	103 3/4	−0 1/8	+0 1/4	7.32

Average price change On day −0 1/2 on week −0 1/8

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
African Dev Bk 5 3/4 94	100	† 101 3/4	102 1/4	+0 3/8	+0 3/8	5.86
Asian Dev Bank 5 7/8 98	100	† 101 1/2	102	+0 3/8	−0 7/8	5.60
Avon Cap Corp 5 3/8 94	130	† 99 1/2	99 3/4	−0 7/8	0	5.38
Brit land Comp 6 1/8 99	75	† 102 1/2	102 3/4	−0 1/2	−0 1/2	6.21
Council of Europe 6 92	120	† 101 1/2	101 3/4	−0 1/2	0	5.72
Creditanstalt 5 1/2 94	100	† 99	99 1/4	−0 1/8	0	5.79
Deutsche Bk Fin 5 3/8 95	100	† 100 1/2	100 3/4	−0 3/8	−0 1/2	5.29
E.I.B. 5 7/8 94	120	† 101 1/4	101 1/2	−0 3/8	−0 1/4	5.68
Eurofima 6 97	100	† 98 1/8	98 3/4	−0 3/4	−0 3/8	5.18
Eurofima 5 3/4 98	100	† 100 1/2	100 3/4	0	0	5.17
Export Dev Corp 5 3/4 92	125	† 100 1/4	100 1/2	+0 1/4	0	5.21
First Boston Inc 5 3/4 94	80	† 101	101 1/4	0	0	5.59
Gen Occidentale 4 1/2 94	90	† 101 3/4	102	−0 7/8	−1 1/2	4.25
I C Industries 5 5/8 94	125	† 100	100 1/4	−0 1/8	−0 1/2	5.88
Ind Fund Fin 5 3/4 94	40	† 100 1/4	100 1/2	−0 1/8	0	9.88
Int-Am Dev Bk 6 1/8 94	120	† 101 3/4	102	+0 3/8	−0 1/4	5.85
New Zealand Govt 5 3/4 94	150	† 101 3/4	102	−0 3/8	−0 3/4	5.46
N.Zealand steel 5 3/4 96	70	† 98 3/4	99 1/4	+0 1/8	−0 1/8	5.87
Oberos Kftwk 5 3/8 95	100	† 99 1/2	100	0	−0 1/8	5.54
Ost Donaukraft 5 3/8 95	70	† 96 1/8	96 3/4	−0 3/8	−0 3/4	5.58
Ralston Purina 5 3/8 94	125	† 99 1/2	99 3/4	+0 3/8	+0 1/2	5.42
Santos Finance Ltd 6 94	130	† 99 1/2	99 3/4	−0 1/8	0	6.19
Tokyo Elec Pwr 5 1/2 93	120	† 100	100 1/4	+0 3/8	+0 1/4	5.47
Tokyo Metropolis 5 1/4 94	80	† 98 1/4	98	+0 1/8	0	5.40
World Bk 5 3/4 94	100	† 100 3/4	101	+0 3/8	0	5.62

Average price change On day −0 1/8 on week −0 1/4

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Austria Republic 7 95	30	99 1/2	100	0	+0 3/8	7.03
BP Overzee 7 92	17	100 5/8	100 7/8	−0 1/8	+0 1/8	6.87
Fed Nat Mort 6 7/8 92	50	99 7/8	99 3/4	−0 1/8	+0 3/8	7.00
Finland Republic 6 3/4 90	15	99 1/2	100	0	+0 1/8	6.81
World Bank 6 5/8 90	25	99 1/2	100	0	+0 1/4	6.88

Average price change On day 0 on week +0 3/8

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Bell Canada 12 1/4 97 C$	125	† 105 7/8	106 3/8	−0 3/8	−0 1/4	11.37
British Columbia 12 00 C$	125	† 104	104 1/2	0	+0 1/8	10.88
Can Nat Rail 12 1/2 95 C$	100	† 105 1/4	105 3/4	−0 3/4	−1	11.35
Chrysler Cred 12 7/8 92C$	80	† 103 3/4	104 1/4	0	+0 1/4	11.74
Desjardins 12 1/2 00 C$	50	† 103 1/4	103 3/4	0	0	11.92
E.I.B. 12 95 C$	75	† 103 1/8	103 5/8	−0 1/8	+0 3/8	11.41
New Brunswick 11 7/8 95C$	75	† 101 1/4	101 3/4	0	−0 1/2	11.36
N.Z Govt. 9 1/4 00 ECU	100	100 1/2	101	0	0	9.05
N.Z Govt. 9 1/2 92 ECU	100	100 1/2	101	−0 1/2	−0 1/8	9.35
Rabobank 9 5/8 95 ECU	75	103 5/8	104 1/2	−0 1/2	−0 1/4	9.01
Eurofima 7 1/2 92 FL	80	101 1/4	101 3/4	+0 1/4	+0 3/8	7.21
Philips Lamps 7 1/2 00 FL	100	101 7/8	102 3/8	0	+0 1/2	6.98
Rank Xerox 8 90 FL	100	102 7/8	103 3/8	+0 1/8	+0 1/4	7.21
Van Lanschot 7 1/2 90FL	50	100 7/8	101 3/8	0	+0 1/8	7.22
World Bank 7 1/2 00 FL	150	101 1/8	101 5/8	+0 1/8	+0 3/8	7.18
Gaz de France 11 1/4 00FF	500	100 1/4	100 3/4	−0 7/8	−0 1/4	11.17
American Brands 12 95 £	40	103 7/8	104 3/8	0	+0 1/4	11.25
Amer Express 11 3/8 92 £	30	103	103 1/2	−0 1/2	0	10.86
Australia Comm 11 92 £	40	98 3/8	98 7/8	+0 1/4	+0 1/4	11.28
BP Capital 10 3/4 92 £	80	98 1/8	98 5/8	0	+0 3/8	11.09
E.I.B. 11 1/8 93 £	50	100 1/4	100 3/4	+0 1/8	+0 3/8	11.01
Inco 12 3/4 93 £	50	103	103 3/4	0	+1 3/4	12.01
Mcdonalds 10 7/8 90 £	40	99	99 1/2	0	+0 1/2	11.08
Norsk Hydro 11 1/8 91 £	50	102	102 1/2	+0 1/2	+0 1/4	11.04
Privatbanken 11 7/8 92 £	20	98 7/8	99 3/8	+0 1/8	+0 1/4	11.82
Rank Xerox 11 92 £	40	98 5/8	99 1/8	+0 1/8	+0 1/2	11.28
Royal Trustco 11 3/4 90 £	30	99 1/4	99 3/4	0	−0 3/8	11.40
Star Drug Cap 10 7/8 00 £	30	98 3/8	98 7/8	+0 1/2	+0 3/8	11.23
Swed Exp Cred 11 1/8 92 £	50	100 3/8	100 7/8	0	+0 1/4	11.21
Trusthouse Forte 11 1/8 90£	50	97 7/8	98 3/8	+0 1/2	+0 3/8	11.88
World Bank 11 1/4 95 £	100	101	101 1/2	+0 1/2	+1	11.03
E.C.S.C. 10 1/2 94LF	100	104 5/8	105 5/8	−0 1/4	−0 3/4	9.62
Nat Lux Alum 10 1/2 92 LF	600	105 7/8	106 7/8	−0 1/2	+0 3/8	9.08

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn	C.yld
B.B.L. Int 5 99	0 1/8	100 3/8	100 7/8	11/10	9 3/8	9.35
Banco di Roma 5 1/4 92	0	99 1/2	99 3/4	24/6	7.98	8.01
BankAmerica O/S 5 1/4 96	0 1/8	100	100 1/4	28/8	8.81	8.88
Bank of Montreal 5 95	0 1/8	100 3/4	101	29/7	8 3/4	8.67
Bankers Trust 5 2000	0	99 3/8	99 7/8	11/6	9.81	9.84
Bankers Trust 5 1/4 96	0 1/8	100 1/4	100 1/2	23/8	8.56	8.53
B.F.C.E. 5 1/4 99	0 1/8	100 3/8	100 7/8	13/9	10.06	9.88
B.N.P. 5 1/4 96 (July)	0 1/4	100 1/8	100 3/8	22/7	8 1/8	8.10
C.C.F. 5 1/4 97	0	99 3/8	99 7/8	22/9	10 5/8	10.65
Chase Man'tn 5 1/4 2009	0 1/8	99 7/8	100 1/8	5/8	9.88	9.88
Citicorp O/S 5 1/4 96 Sep	0 1/8	100 1/8	100 3/8	19/12	11.19	11.13
Credit Lyonnais 5 1/4 96	0 1/8	100 3/8	100 7/8	11/10	9.08	8.87
Dresdner Fin 5 1/4 00	0	99 7/8	100 1/8	25/5	9 3/8	9.35
Ireland 5 1/4 97	0	100 1/2	100 3/4	28/10	9.88	9.82
Ireland 5 1/4 99	0	100 3/8	100 7/8	14/8	10	9.82
Italy, Republic 5 94	0 1/8	100 1/4	100 1/2	12/11	8 7/8	8.84
Lloyds Euro 5 2004	0 1/8	100 1/4	100 1/2	18/10	9 1/8	9.04
Midland Int Fin 5 99	0 1/8	100 3/8	100 5/8	6/8	10.44	10.38
Nat West-Perp 5 88	0 1/8	100 7/8	101 1/8	23/11	8 1/2	8.62
Queensland Coal 5 1/4 98	0 1/4	100 5/8	100 7/8	13/11	8	8.62
Roy Bk Scot 5 1/4 2005 £	0	99 1/4	99 1/2	2/8	12.81	12.88
Societe Gen 5 1/4 95	0	† 100 3/4	101	12/10	8 1/2	8.42
Sweden Perp 5 1/4 85	0 1/8	100 1/4	100 1/2	8/7	9.40	9.40
Tokai 5 1/4 99	0 1/8	100 1/8	100 3/8	12/8	9.01	9.00
Toyo 5 1/4 00	0 1/8	100 3/8	100 5/8	14/8	9.63	9.76

Average price change On day 0 on week +0 1/8

CONVERTIBLE BONDS	Cnv. date	Cnv. price	Bid	Offer	Chg. day	Prem
Ajinomoto 3 99	4/84	1053.64	95	96	−0 3/8	1.79
Fanuc 3 3/4 98	1/84	7032.3	135 3/8	136 7/8	−0 1/2	32.44
Fujitsu 3 99	5/84	1320.9	79 3/4	79 3/4	−2 1/8	13.59
Kumagai Gumi 3 1/2 2000	3/85	600	114 7/8	115 7/8	−0 1/8	5.22
Marui 3 1/2 98	7/84	1162	99	100	−1	−1.33
Mitsubishi Elec 2 7/8 00	3/85	422	93 3/4	94 3/4	0	−2.22
Murata 3 1/2 99	2/84	2351.2	90	91	−0	23.03
Murata 3 1/4 2000	7/84	2396	88 7/8	89 7/8	−4	25.43
Nippon Elec 2 7/8 2000	1/85	1295	79 7/8	80 7/8	−2 3/8	2.31
Nippon Oil Co 3 2000	5/85	923	104 5/8	105 5/8	−3 1/2	−4.81
Nippon Oil Co 3 1/4 99	3/84	1052	91 1/2	92 1/2	−0	3.30
Oki Elec Ind 3 1/2 99	10/84	805	87 5/8	88 5/8	−0 3/4	32.77
Orient Leasing 5 1/4 98	6/83	2680	108 3/4	109 1/4	−1 3/8	−5.89
Sekisui House 3 98	6/84	612	110	111	−1 3/8	−0.42
Sony Corp 2 2000	5/85	4578	88 1/8	89 1/2	−1 1/2	8.51
Sumitomo Corp 2 7/8 99	5/84	593	126	127	0	−0.26
Taiyo Yuden 3 1/4 2000	3/85	1078	85	86 1/2	−0 3/8	−3.19
Takeda Riken 3 1/2 2000	10/84	7653	† 70 1/2	81 1/8	−1 7/8	30.27
Tokyo Sanyo Elec 3 1/2 99	12/84	772	86 3/8	87 1/8	−2 3/8	−1.53
Toshiba Ceramics 3 2000	4/85	1734.2	79	80	−2 3/8	−1.38
Nippon Oil Co 2 1/8 92 SF	3/84	1052	† 107 1/8	107 3/4	−1 1/2	4.19
Nippon Shinpan Co 2 92 SF	3/84	801	† 186	186 1/4	+2 1/4	14.89
Settsu Paper 2 1/4 92 SF	4/84	677	† 134	136	+1	1.27
Asics 5 92 DM	12/83	520	[illegible]	[illegible]	0	25.87
Sum Realty 6 1/4 92 DM	2/83	338	† 294	298	+1	−2.88

* No information available—previous day's price.
† Only one market maker supplied a price.

Straight Bonds: The yield is redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week—Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C. dte—Date next coupon becomes effective. Spread—Margin above six-month offered rate (‡ three month; § above mean rate) for U.S. dollars. C.cpn—current coupon. Cu. yld—current yield.

Convertible bonds: Denominated in dollars unless otherwise indicated. Chg. day—Change on day. Cnv. date—First date for conversion into shares. Cnv. price—Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem—Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

INTL. COMPANIES & FINANCE

Sharp increase in Mazda profits despite static sales

BY CARLA RAPOPORT IN TOKYO

MAZDA, Japan's third largest car maker, yesterday reported a 39 per cent jump in pre-tax profits for the half-year to April, despite only a 6 per cent increase in sales.

The major reason for the improvement, according to Mazda, is that its Japanese customers are buying better-equipped cars with more accessories. This allowed Mazda to push ahead profits despite the fact that unit sales of its cars were basically stagnant in the period. Profits were also aided by improved production efficiency.

Mazda's sales for the six months were Y756bn ($3.05bn) compared with Y711bn last year, and pre-tax profits were up to Y33.3bn from Y23.9bn in the same period last year. Net income was up by 27 per cent to Y15bn from Y27.5bn, with earnings per share up to Y16.88 from Y13.57.

Although Mazda is a heavy exporter, with 67 per cent of its sales last year from overseas, it was only able to push up exports by 1.1 per cent in unit terms, in the period. Domestic volume sales were down 1.4 per cent.

Mazda said yesterday that the stagnation in car sales were due to slow demand, continuing import limits in some overseas markets and severe competition both at home and abroad.

The company explained that it is offsetting these problems by selling more sophisticated cars, with more extras. "People want sunroofs, better stereos, and air conditioning these days. Tastes are more demanding. They want the genuine article, not imitation," says Mr Bunzo Suzuki, a Mazda executive.

In addition, Mazda said the production efficiency at its new plant had been improved by 10 per cent a year over the last two years. These were largely due to small efficiency improvements, largely suggested by Mazda's employees.

NZ stock market has 'takeover potential'

By Michael Thompson-Noel in Sydney

THE New Zealand stock market, with about 300 listed industrial and mining companies, offers considerable takeover potential, according to Potter Partners, a leading Australian stockbroker.

In an extensive study Potter estimates that around 70 New Zealand companies will vanish over the next few years, if Australian experience is any guide. It says that at present, "the extraordinary gains from stock market raiding are somewhat diminished by the lack of equity risk premium on long and short-term New Zealand Government interest rates."

But Potter adds: "The Finance Minister has indicated the tax-free dividend status and dividend rebate are likely to be re-examined. A new scheme, still avoiding double taxation, is likely to be introduced on a more equitable basis but with a substantial ceiling.

"In these circumstances, public company listing valuations relative to interest charges upon takeover could open up a significant gap in favour of corporate raiding practices, as in Australia."

The Potter report coincides with this week's listing on Australian share markets of Fletcher Challenge (FC), New Zealand's second largest listed company after Brierley Investments.

FC derives approximately 40 per cent of sales, and close to 50 per cent of operating profit, from forestry-related activities, which include Crown Forests (Canada) and Tasman Paper and Pulp (New Zealand).

In 1984 FC was ranked 271st on Fortune's list of largest industrial companies outside the U.S. Potter estimates that FC's 1984-85 net profit will be NZ$180m (U.S.$80.9m) against NZ$131.3m previously. This is projected to rise to NZ$200m next year despite a sharp slowdown likely in New Zealand's economic growth.

Significantly, Potter predicts a "substantial foray" by FC into major natural resources projects in New Zealand, where its existing skills in construction, steel, international trading and financial management, says the broker, will be a considerable advantage.

OMV buys into Libya activities of Occidental

BY PATRICK BLUM IN VIENNA

OMV, Austria's state-owned oil and gas group, is taking a 25 per cent share in Occidental Petroleum's production and exploration facilities in Libya, the company announced in Vienna yesterday.

It would not say how much it is paying under the deal, which is due to be signed in Tripoli on June 30. OMV will pay cash immediately on signing the deal.

It is the first foreign oil production deal signed by an Austrian company. The agreement covers the production of 600,000 tonnes of crude oil and 70,000 tonnes of condensates a year, based on production figures at the end of December 1984.

Dr Herbert Kaes, OMV chairman, said the agreement was the successful outcome of two years of hard bargaining. The company already has exploration rights in Libya but it has wanted for some time to become involved in production overseas.

Initially Neste Oil of Finland and Svenska Petroluem of Sweden were to take equal shares with OMV in a deal which would have given the three European companies over 50 per cent of Occidental Petroleum's business in Libya.

OMV also announced yesterday that Petrochemie Danubia, a wholly owned OMV subsidiary, has signed an agreement with Himont of the U.S. for processing technology to be used in a new polypropylene plant near Vienna. The plant will cost Sch 650m ($30m) to Sch 700m. It will produce about 80,000 tonnes a year of polypropylene of which more than 90 per cent will be exported, mainly to Western Europe.

The company already has two other polypropylene plants with an annual production capacity of 120,000 tonnes. Dr Jakob Kratzer, who is in charge of the project, says he is not unduly worried about competition from petrochemical works now coming on stream in the Middle East, a prospect which has caused concern among European producers.

"In the short term it will cause some problems and affect prices but after a while the volume can be absorbed, he says.

According to figures published yesterday OMV increased its annual profits before tax and allocations to provisions from about Sch 1bn in 1983 to Sch 1.76bn last year on turnover of Sch 56.6bn against Sch 54bn. Net profits remained flat at Sch 240.3m.

Otis Elevator registers half-year gains

By Jim Jones in Johannesburg

OTIS ELEVATOR, the 70 per cent-owned South African subsidiary of United Technologies, the U.S. conglomerate, increased its profits in the six months to May and is raising its dividend. The company warns of an expected drop in activity during the second half of the year.

First-half operating profit before interest income and tax payments increased to R5.60m ($2.87m) from R5.31m, and pre-tax profits rose to R6.33m from R6.15m. Operating profit totalled R12.06m for the full financial year ended November 1984 and pre-tax profits were R13.95m.

First half earnings were 18.5 cents a share, up from 18 cents, and the interim dividend has been raised to 18 cents a share from 16 cents.

Bid for Global Insurance

ALLIED Malaysian Development (AMD) a small publicly listed Malaysian textile and property company, is to take over Global Insurance Company in a share exchange deal worth M$57.4m (US$ 23.7m), writes Wong Sulong in Kuala Lumpur.

Both are controlled by the Tan family of Penang, headed by Mr Tan Kim Wah, which is expected to increase its stake in AMD to over 80 per cent on completion of the take-over.

New shares in AMD will be offered to investors to increase Malay equity to 20 per cent.

Dow MBF looks at China

DOW MBF, a Hong Kong joint venture of the Dow Financial Services group and MBF Holding, the Malaysian finance and property company, intends to expand its activities in the Asia-Pacific region, writes John Wicks in Zurich.

Mr Leslie Merszei, chairman of the London-based Dow Financial Services, said in Zurich that the company would look at an expansion of operations in new markets, particularly China.

The two partners have in the past two years set up a total of six joint venture financial services companies throughout the Association of South-East Asian Nations area, primarily in merchant banking, leasing and factoring.

JAPANESE RESULTS

NIPPON GAKKI
MUSICAL INSTRUMENTS

Year to	Apr '85 Y	Apr '84 Y
Revenues (bn)	357	339
Pre-tax profits (bn)	13.93	10.58
Net profits (bn)	5.50	3.52
Net per share	41.93	26.82
Dividend	10	10

PARENT COMPANY

OLYMPUS OPTICAL
CAMERAS, MEDICAL INSTRUMENTS

Half-year to	Apr '85 Y	Apr '84 Y
Revenues (bn)	62	56
Pre-tax profits (bn)	4.02	3.82
Net profits (bn)	2.20	1.92
Net per share	11.83	10.90
Dividend	8.5	8.5

PARENT COMPANY

INTL. COMPANIES & FINANCE

Dafsa pins its survival hopes on alliance with American partners

BY DAVID MARSH IN PARIS

DAFSA, the French financial information group which was one of the first companies to be introduced in 1983 on the "second market" of the Paris bourse, is raising its capital to try to strengthen resources after an unexpected loss last year.

A minnow in a rapidly expanding international market for electronically-relayed financial data, Dafsa has chosen alliances

Capital move to strengthen resources

with two U.S. information groups, Telerate and Quotron (both linked to the AP-Dow Jones news agency) as its method of staying alive in competitive waters full of profit-hungry fish. But it still has to fight hard to guard against the eventual risk of being swallowed up.

The decision to go for American partners has propelled Dafsa, with turnover of FFr 200m ($21.4m) last year which it hopes to increase to FFr 250m in 1985) into head-on confrontation in France with eRnters, a company 18 times its size.

M Pierre Cabon, 56, chairman of Dafsa since it was set up in 1959, says the combination of entry on the bourse—about one-third of its capital is now held by the public—and greater competition "has made life tougher."

"Dafsa is a very good illustration of what happening at the moment with the French economy," he says. "We either have to be capable of surviving in international competition, or risk disappearing from the scene through being absorbed and losing our independence."

In its capital increase, Dafsa is raising a total FFr 31.7m through a two-for-five rights issue at FFr 250 per FFr 100 nominal share. The share price has currently been trading in the FFr 250 to FFr 260 range.

After reaching FFr 350 at the turn of the year, the share price has fallen back sharply in recent months — 10,000 shares, or 3 per cent of capital, changed hands between February and April — following announcement of a FFr 13.4m net loss and a passing of dividend for 1984.

Operating profits rose to FFr 15m from FFr 11m on an 18 per cent increase in turnover but the company struck depreciation costs of FFr 29m, up from FFr 8m in 1983, to cover its heavy investment programme linked to expansion of its electronic data services.

Investments last year came to FFr 60m, taking the total ploughed into the company since 1981 to FFr 125m or 20 per cent of turnover. This year, according to M Cabon, investment will fall back to a more reasonable FFr 30m.

Stockbrokers emphasise that Dafsa will remain a "risk stock" for the next two to three years. M Cabon is hoping to break even this year and to launch clearly into profits from 1987.

Dafsa's delicate financial

Stockbrokers emphasise that Dafsa will remain a 'risk stock' for the next two to three years. M Cabon (left) is hoping to break even this year and to launch clearly into profits from 1987. Dafsa's delicate financial position underlines the difficulties created by rapid technical change.

position underlines the difficulties faced by the entire French financial community in adapting to the rapid pace of technical change on banking and capital markets.

The company is assured of strong backing from French financial institutions. Half of its present FFr 31.8m nominal capital is owned by banks—and financial institutions (two-thirds nationalised, one-third private) with one-sixth in the hands of industrial companies and the rest held by private investors.

But, given the tough competition from Reuters in European financial data, M Cabon knows that a strong institutional position on the French market is not enough.

The policy of alliances with Telerate and Quotron—both linked to Reuters' arch-rival AP-Dow Jones—has been built up gradually.

In 1982 Dafsa contracted to become the French distributor of the AP-Dow Jones Telerate foreign exchange and interest rate service. This was followed up in 1984 by a wider accord with Quotron, which took effect at the end of last year. Dafsa has become the distributor in France and the Benelux countries for Quotron's wide-ranging securities market information. Additionally, Dafsa itself feeds certain non-U.S. financial information into the Quotron network on a real time basis.

Quotron will be commercialising in the U.S. Dafsa's Televal data bank which contains details of around 63,000 internationally-traded securities. As a key component in this service, Dafsa has reached agreement on instantaneous transmission of stock market rates to the company's computer centre.

The logistics of such a link-up are complicated, points out M Cabon, by the differences in software systems even among bourses in the same country. The Duesseldorf stock exchange, for instance, uses an IBM system while Frankfurt's is based on Siemens.

In a first step, a Dafsa service covering companies from Britain, France, West Germany,

Telerate and Quotron links built gradually

Switzerland and Benelux will be available on Quotron screens from this summer.

Dafsa has no doubt it is in the right sector, given the furious growth rates associated with electronic financial information. According to an analysis by Link of the U.S., France's electronic financial information market should grow at 31 per cent a year between 1981 and 1987 (from a base of $12bn, which was about one-sixth of the size of the UK market in 1981). Growth rates of between 20 and 30 per cent are expected in other European countries.

The question is whether Dafsa will survive the pace. In spite of a 22 per cent annual growth rate between 1980 and 1984, Dafsa remains not only much smaller than other international information groups, but it lags considerably in profitability and in turnover per employee.

As a result of its origins in financial analysis, Dafsa, which incorporates the Kompass product and company information marque, still makes 47 per cent of its sales from selling information to non-financial organisations.

Electronic screen-relayed data represented 39 per cent of turnover in 1984 and should grow to 56 per cent in 1987 as the Quotron services start to build up steam. By then, M Cabon should have a good idea of whether his company will indeed be able to keep its small but autonomous place in the world-wide information battle.

Dawson Intl. surges 39% to a record £35m

Dawson International, the Scottish-based specialist textile manufacturer which includes Pringle, Breemar, Ballantyne and Barrie among its brand names, lifted its 1984-85 pre-tax profits by 39 per cent, from £25.25m to a record £35.12m.

The figures included e first-time contribution from J. E. Morgan Knitting Mills of ths U.S., sequired 12 months ago for eome £30m.

Morgan, ona of the largest makers of termal underwear in the U.S., was accountable for £6.5m of tha group'e peofits.

Geoup sales for tha year to March 31 1985 were more than £250m for the first time and at £265.6m were 48 per cent ahead of the previous year's £179.2m—allowing for Morgan the increase was 24 per cent.

Trading profits improved from £21.64m to £33.95m with margins et 12.8 per cent, compared with 12.1 per cent. Operating incoma added £1.63m (£1.96m).

Pre-tax profits were struck after taking eccount of interest charges to £464,000, compared with a receipt last time of £1.65m. Tax surged from £8.03m to £13.32m to leave net peofits £4.58m ahead at £21.8m.

Earnings per 25p share were (19.8p) and a final dividend of 5.6p (4.9p) lifts the net total to 8.2p. A one-for-two scrip is also peoposed.

Mr Ronald Miller, the chairman, tells shareboIders that the year was one of significant progress for the group. Apart from the acquisition of Morgan, the group'e largest-ever purchase, most companies continued to trade well throughout the 12 months.

He says that Morgan, togather with the acquisition of KSW of West Germany in 1983, provide Dawson with manofacturing bases in stable, strong market plsces. The group will benefit further as development of the companies gathers momemtum.

Mr Miller says that overall, market conditions ramain good and orders are at s high level. He points ont, bowever, thet continuing uncertainties in the currency markets make it very difficult for companies trading internationally to forecast ahead.

A divisional breakdown of group turnover shows raw material merchanting and processing at £27.5m (£20.8m), spinning, waaving and fur fabrics et £103.8m (£79.4m) and knitting and clothing at £134.3m (£79m).

Group exports at £76m showed an improvement of 28 per cent and due to this strong performance Dawson retained its position among the UK's leeding exporters.

For the knitting and clothing companies the UK market was buoyant, aided by a strong tourist season. The European market impeoved from its low level of the previous year.

In the spinning, weaving and fur fabric companies the hoisery spinners, in particular, benefitted from the strength of the knitwear markets and increased sales in North America.

Referring to the group's liquid resources, Mr Millar says cash was utilised as a result of tha bigher level of activity, the increase in raw material prices, the change in the VAT regulations oo imports, shorter credit periods being available on some raw material purchases and the substantial capital expenditure peogramme.

Nonetheless, be says, net liquid resources were £35.8m before taking account of $28m medium-term bank loan taken out to fund the Morgan acquisition, compared with £35.5m at tha start of the year.

A professional revaluation of most land and buildings was carried out during the year and the surplus arising of £14.6m was credited to reserves.

Shares with a market value of £14.5m were issued in part consideration for the Morgan acquisition. Goodwill of £9.9m arising on acquisition has been set against reserves. At the end of the year sharebolders' funds totalled £125.3m, an increase of £33.2m in the year.

See Lex

Good Relations purchase

Good Relations, the public relations and advertising agency, has acquired Face Ronchetti, a London-based supplier of creative services to the communications industry.

The purchase price is up to £2m, to be paid mostly in new Good Relations shares to Face's four executive directors. The consideration comprises £100,000 in cash, £1.15m in 532,900 Good Relations shares, and up to a further £750,000 in shares depending on Face's profits up to the end of 1987.

Face, which had 1984 pre-tax profits of £120,429 on turnover of £1,567,206, produces advertisement artwork, computerised typesetting eervices, headline type design for advertising and television, and specialised print mock-ups.

Mr Anthony Good, Good Relations chairman, said there would be no conflict between the tow client lists, mainly because Good Relations is not a consumer adavrtising agency. But there could be "Cbinese walls" between the two operations wbere necessary.

● Charles Barker City, another public relations company, is taking a stake in a U.S. investor relations consultancy, Brantley, Walton. The move stems from increasing U.S. interest in UK shares and the U.S. experience of deregulation which is seen as providing lessons for the current City revolution in London.

Virani holding

VIRANI GROUP (UK), the privately owned hotel, peoperty and leisure group headed by Mr Nazmu Virani, has increased from 8.3 to 11.1 per cent its atake in **Woodhouse and Rixson (Holdings)**, a Sheffield-based manufecturer of forgings. Mr Virani said that at the moment the stake was "purely an investment" in a company with a good management team and good assets. He did not have a bid in the pipeline.

Royal Worcester helps LRC advance 25%

PRE-TAX PROFITS for LRC International, the consumer products and services group, advanced by 25 per cent on turnover up by 23 per cent in the year to tha end of March 1985.

Turnover improved from £159.42m to £195.96m, with operating profit up from £17.02m to £21.4m. After net interest payeble of £2.59m (£2m), pre-tax profit was £18.81m, compared with the previous year's £15.02m.

The figures included a six months' contribution from Royal Worcester Spode, which was acquired during the year from Crystalate Holdings. Without those figures there was an 18 per cent improvement for the operating profit for the rest of the group.

A final paymant of 2.6p net, per 10p share, is being recommended, making a total for the year of 3.9p on the enlarged capital. Last year a total of 3.5p was paid, with a final of 2.35p.

Mr Alan Woltz, the chief executive, says that this was the sixth consecutive improvement in sales and profits under tha present management and that it is expected that the good performance from all divisions will continne.

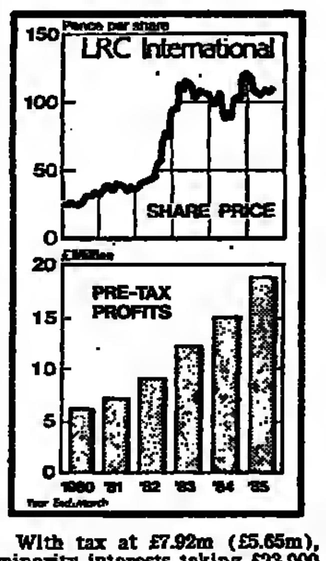
The major contributor to profits and sales was the industrial holdings division which made substantial progress during the year with operating peofits rising by 33 per cent to £7.22m, on turnover 9 per cent ahead at £62.64m.

The improvement was led by the photographic business which maintained growth in both tha UK and Europe. Other units, including Durapling and Autonumis also made good advances in profitability.

LRC North America achieved profit growth of 35 per cent to £3.56m on turnover of £43.07m (£35.23m). Mr Woltz says that there was a significant improvement in the Cook Bates manicure implements operation and the division benefited from fsvourable dollar conversion rates.

LRC Products profits rose to £8.63m from £5.78m on turnover up form £35.71m to £38.99m. That was echieved despite adverse Malaysian exchange rates and bigb latex costs and strong competition from imports. Malaysian exchange rates were also a factor in the profits of the international division where peofits improved to £2.65m (£2.44m).

Operating profits for Royal Worcester were £1.6m. Mr Woltz eays that as a result of the performance for the 12 months ended December 31, 1984 it is not anticipated that any additional consideration over the initial purchase price of £18m will be payable.



With tax at £7.92m (£5.65m), minority interests taking £23,000 (£12,000) and extraordinary charges of £1.31m (£1.64m), attributable profits came out et £9.55m (£7.72m). Earnings per share were 9.57p, compared with the previous year's 9.16p.

● comment

In spite of foreign competition LRC has been abla to boost margins in all its divisions. Even the Monopolies Commission restriction of contraceptive sheath price rises has not stopped LRC Products divisional operating margins from rising to 17 per cent—Durex apparently is keeping its firm grip on the UK market. Having initiated the price war in photoprocessing, Colour Care appears to have seen off the mail order challenge—retail sales are now just over 70 per cent of the total, having fallen at one point to 40 per cent. In fact Colour Care, with 20 per cent plus of this market, could find itself subject to a Commission reference. But the main factor affecting the company's rating over the next couple of years has to be the performance of Royal Worcester Spode—purchased for £26m (if £8m in debts are included) last year. Tha fine china company'e performance in the six months for which it was consolidated was on the poor side. Much tighter stock controls (£14m of the £18m rise in group stock at the year end came from the acquisition) plus e stronger U.S. marketing effort will be required before LRC proves itself capable of running an unrelated premium brand name business. If it can prove this then a rerating will be due. But until then the shares seem about right, given analysts' forecasts of £23m pre-tax, which suggest a prospective multiple of 10 et 112p (40 per cent tax charge).

London United £7m rights for U.S. growth

BY STEFAN WAGSTYL

London United Investments, an insurance company and underwriting agent, is raising £7.07m in rights issue to expand its U.S. operations.

The group is setting up NUA Syndicate, an underwriting company which will be a member of the Illinois Insurance Exchange in Chicago, with a capitalisation of $10m (£8m).

London United is also setting up a Chicago-based management company, NUA Management, to manage the Syndicate's business and to attract business from other syndicates on the exchange. The group will bold 75 per cent of the management company, with the rest shared among key staff.

London United is elreedy involved with the U.S. insurance market, througb its two subsidiaries, H. S. Weavers, an underwriting agent, and Walbrook Insurance Company, both based in London.

Moreover, the company bas a direct link with the Illinois Insurance Exchange through National Undarwriting Agency, a 37.5 per cent-owned associate. However, this company has been run down after Transit Casualty, National's major client, stopped trading.

Mr Peter Wilson, group deputy chairman, said that the company's new ventures would get business which would have gone to National Underwriting Agency and take advantage of other opportunities.

It was the right time to start in the U.S. insurance market because the market was picking up, be said.

The 2.94m new shares in the rights issue are offered on a one-for-four basis at 250p, a discount to the stock market price of the shares, which closed yesterday et 306p down 7p. The underwriter is Lazard Brothers and the broker Cazenove.

In its last call on shareholders in May 1983, London United raised £4.9m which was invested in Walbrook. The group made increased profits of £6.2m pre-tax (£5.22m) in 1984.

● comment

Shares in London United have only recently recovered to approach tha levels they achieved before the last rights issue. Clearly the market has not favoured msny companies connected with the U.S. insurance market over the last two years. Nevertheless, if North America is now firming to the extent that London United and others believe then it is fair to expect that the group will benefit this year and next. It is not, however, entirely self-evident wby the company should invest in Chicago, instead of expanding the London operations of Walbrook, which is already in a good position to benefit from impeovements in North American rates. It seems that if the potential rewards of a strong direct presence in the U.S. are great, so are the potential risks.

Windsor set for further acquisition

The directors of insurance broker **Windsor Securities**, who are fighting an attempt by **Lander Securities** to change the boardroom balance of power, said yesterday they had agreed in principle to an acquisition with unnamed vendors in the insurance sector which was dependent on Lander's move failing.

This was in addition to previously announced negotiations for an insurance acquisition, which was also said to be dependent on sbareholders voting against Lander's proposals.

Windsor said that on the assumption both acquisitions could be concluded, they would add approximately £360,000 to the company's pre-tax profits against a total issue of 3.6m ordinary shares.

WOOLWORTH HOLDINGS' £146.34m rights issue of 8½ per cent of convertible unsecured loan stock 2000 has been taken no 95 per cent.

R. Horne profits leap to over £4m in first half

A SATISFACTORY first half saw taxable profits at **Robert Horne Group** rise from £2.69m to £4.26m on turnover ahead by £12.07m at £61.2m.

The major activity of this USM concern is the merchanting of printed paper, and this continued to be the main source of peofit. The period to end March 1985 maintained the trend of the previous year, with tha division benefiting from price inflation to the tune of 20 per cent.

Mr Kenneth Horne, the chairman, says that the more stable market conditions that now prevail make it unlikely that there will be a repeat of the imbalance between first and second half sales. These, bowever, continue at a high level.

The two main non-paper subsidiaries are developing well, be adds. Trutite, industrial fasteners distributor, is now firmly profitable, while Spectrum, a manufacturer of self-adhesive paper, is developing "very satisfectorily and will this year produce excellent results."

The tax charge for tbe period was up from £1.24m to £1.86m, for net profits of £2.4m against £1.45m, or 7.75p (4.69p) per ordinary or non-voting A ordinary share. The dividend on these shares is lifted by 0.25p to 1.25p.

In the last full year the group meda taxabla profits of £6.55m on turnover of £104.87m, and paid a total dividand of 2.5p per share.

The sbares slipped 3p to close last night at 170p. The offer price when the company gained its unlisted quotation in February last year was 156p.

Sir George Jefferson

The photograph printed on a UK Company News page of yesterday's FT was not that of Sir George Jefferson, the chairman of British Telecom, but that of M Georges Bese, the president of Renault.

Hazlewood Foods in £20.5m cash call

By Stefan Wagstyl

Hazlewood Foods, the fast-expanding food manufacturer with a range of products from pickles to pizzas, is raising £20.5m with a deeply-discounted one-for-one rights issue.

The Derby-based company, which earlier this month announced a 98 per cent increase in pre-tax profits to £6.09m for the year to the end of March, wants the money to reduce its £21m borrowings and have the means to fund further expansion.

Since April last year, the company has spent £22m on acquisitions exanding fcom its original business in bottling pickles and sauces. The biggest purchases were F. H. Lee, a maker of kitchen tissues, and Knight European Food Group, which supplies salads and delicatessen foods.

Mr Dennis Jones, finance director, said that the company was concentrating its expansion on chilled foods but it would not overlook opportunities in other parts of the food and groceries market.

Hazlewood was considering a number of further acquisitions, all privately-owned companies, he said.

Hazlewood's shares closed 12.5p down at 1125p on the stock market, after touching 1160p. The 9.92m new shares are offered at 210p and the issue bas not been underwriten in view of the discount.

Hazlewood has grown steadily since the profitable Ossett and Humber Companies, making pickles and beetroot, reversed into loss-making Hazlewood Proprietary in 1977. Profits growth has accelerated over the past five years, rising from £708,000 pre-tax on sales of £8.27m in 1980, to £6.09m on turnover of £68m in the past financall year.

● comment

Hazlewood Foods has been carrying borrowings little short of its net assets in the latest stage of its expansion so it can fairly ask shareholders to help bear the burden. And investors should have little cause to complain given the way the shares have risen strongly in recent years, in line with the company's own performance. The interest savings take likely pre-tax profits for the current year from some £8.5m to £10m, putting the shares, on an ex-rights price of 674p, on a multiple of 15, after a 25 per cent tax charge.

Fraser increases Debenhams stake

House of Fraser, the stores group, has increased to 7.6 pey cent its staka in rival Debenhams, which is facing a £475m takeover bid from Burton Group, backed by Habitat-Mothercare.

House of Fraser has been steadily buying Debenhams shares in the market ever since it revealed the establishment of a 5 per cent stake at the start of this month. Its purchases to date have cost it about £40m.

House of Fraser has indicated that it wants a say in Debenhams future, but it remains unclear just how big a stake it is prepared to buy ta establish its position.

BOARD MEETINGS

TODAY

Interims: Brunner Investment Trust, Charter Trust and Agency, Grainger Trust, John Perkins Meats.

Finals: Associated Heat Services, Baker Perkins, Craig and Rose, Lynton, S and U Stores, Scott Greenham.

FUTURE DATES

Interims—

Carroll Industries	June 24
Charter Trust and Agency	June 21
First National Securities	June 26
EGB	July 8

Finals—

Booth (John) (Bolton)	June 28
Equity Consort Invest. Trust	July 3
First National Finance Corpn.	June 28
Sensors Technology	July 3
West's Group International	June 27

Fitch holds profits above £16m in spite of higher pig prices

Fitch Lovell maintained profits st above the £16m level in 1984/85 despite exceptionally severe conditions in the pig processing industry, and Mr Geoffrey Hankins, the chairman, is confident that tha company is back on a growth course for the current year.

The taxable outcome up from £16.14m to £16.31m, is in fact a record for the group, s manufacturer and distributor of processed food. The cbairman said at balfway that unprecedented levels of pig prices would bsve cost the company £2m in profits were it not for the good peogress mede by other important subsidiaries.

This trend continued in the second balf. Turners and Truran & Tarr, tbe convenience and chilled products concerns purchased in the 1983/84 year, performed strongly, said the cbairman, and the significant increase in profits fcom frozen and specialist distribution continued.

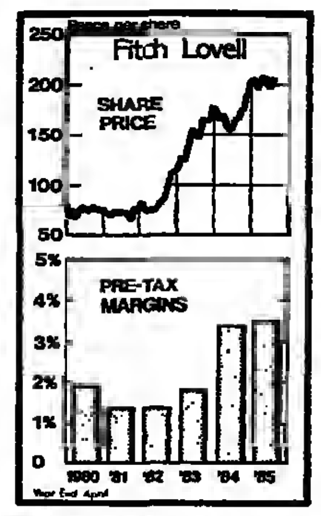
He added that the national becon processing and distribution operation, Stocks Lovell, confirmed its major presence in the market in the face of fierce competition.

In contrast, Mr Hankins said that there was a very substantial erosion of peofit in the Millers, Robirch and Lovell & Christmas (Ulster) offshoots bcought sbout by the increase in the price of pigs.

He attributed the company's ebility to maintain profits to tha sctions taken over the past two years. The period bas seen the company greatly reduce its dependence on pig meat.

Sales were marginally down from £471.39m to £463.24m for the 52 weeks to April 27, and produced peofits of £14.39m against £13.5m before interest receivable of £1.93m, down fcom £2.38m. There was no contribution from related companies.

The total dividend is raised from 9.2p net to 9.7p with an uncbanged final of 6.7p.



● comment

When Fitch Lovell lannched its reorganisation peogramme two years ago many expected that the group would take the opportunity to reduce its exposure to the volatile pig price cycle and take steps to centralise decision-making. Neither eppears to have happened. Recent acquisitions have entrenched Fitch within meat processing, and although this business is buoyant just at the moment this cannot be expected to last for very long. It would be barsb to say that the purchase of Trent Meat, for £13m (11 times earnings), tbe largest of the three acquisitions, is throwing god money away. However, there has to be e serious question-mark on whether sucb a chunk of the group nest-egg could bsve been better spent. The coffers still hold £12m net cash—against £20m previously—and one looks for some sign that this will be used outside of the traditionsl meat business, perhaps in expanding the group's promising food distribution subsidiaries. There is also concern over the thin dividend cover. The 6.7 per cent yield is giving the sbares some support bnt income funds could buy this kind of retuco more csbeaply elsewbere. For 1985-86 the analysts are looking for £19½m pre-tax which has the sberes et 207p trading rather expensively on a peospective multiple of almost 11—unless of course the perennial, but unsubstantiated, bid chatter is given any credence.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corre-sponding div.	Total for year	Total last year
Bankers Invst Tst sec int	0.5	Aug 30	0.4	—	2.28
Barker and Debson	nil	—	0.25	0.1	0.25
Bett Bros ... int	1.2	Aug 15	1.2	—	3.1
Bisichi Tin	0.65	—	0.65	0.65	0.65
British Land	1.75	Aug 6	1.5	2.5	2
Courts (Furnishers)	2.95	—	2.95	4.7	4.7
Dawson Intl	5.6	Aug 28	4.9	8.2	7.3
Dundee and London int	2	July 19	1.5	—	4.7
Fitch Lovell	6.7	Oct 1	6.7	9.7	9.2
R. Hoare ... int	1.25	July 27	1	—	2.5
London and Assoc	0.24	Aug 30	0.2	0.24	0.2
LRC Intl	2.6†	Oct 1	2.35	3.9	3.5
Mitchell Somers	1.75	Aug 31	1.75	3.25	3.25
Rayford Supreme ...int	1.75‡	Aug 8	1.75	—	4.9
Scottish American ...int	1.95	July 26	1.7	—	5.6
Whittington Eng	3	Aug 30	3	4.4	4.4

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. ‡USM stock. §Unquoted stock.

UK COMPANY NEWS

Bankers' Investment Trust net asset value rises 12%

Bankers' Investment Trust had a net asset value of 118.6p per 25p share at April 30 1985, compared with 99.9p a year earlier, and 106.1p at end-October 1984, an 11.8 per cent rise. Total assets, less current liabilities, improved by 11.4 per cent during the first six months to £94.58m.

Gross revenue increased by over 25 per cent from £1.66m at last year's interim to £2.08m, but is lower than the £2.19m received in the second half last year.

Mr A. C. Barker, the chairman, says that the revenue outlook for the second half is favourable but at current exchange rates the estimated percentage increase in earnings is expected to be below the first half level.

Earnings this half rose by 19.6 per cent from 0.97p to 1.16p, and there is a second interim of 0.5p (0.4p). The three interims have been increased to 0.5p each, and there will be a fourth of at least 0.95p payable in February 1986.

Mr Barker says that the board remains cautious of the UK equity market due to the volume of new issues and relatively high interest rates, while both bonds and equities in the U.S. have responded to the rapid fall in short term interest rates since the end of April.

The board has continued to switch out of the UK into overseas markets, particularly the U.S. which now accounts for 40.3 per cent of the portfolio. The UK accounts for 42 per cent.

After a tax charge of £468,000 (£389,000), net revenue totalled £923,000 against £774,000.

Bett Bros. falls and warns on full year

WITHDRAWAL from competitive tender work and a downturn in private housing sales have left Bett Brothers well down at six months and for the full year the directors estimate pre-tax profits of £0.8m, compared with the previous year's £1.32m.

For the opening six months to February 28 1985 turnover fell from £11.5m to £7.53m and pre-tax profits from £616,000 to £421,000. Full year turnover is estimated at £15m (£21.47m).

The principal activities of the group include building and ancillary services, property investment, the management of licensed premises and commercial vehicle sales and servicing.

The directors say high interest charges and the recent rates revaluation are having a depressing effect on the market for private housing in Scotland.

They add that the market is spasmodic and say an estimation of the full year outcome under these conditions is difficult.

Meanwhile, the interim dividend is being held at 1.2p net per 20p share—a final of 1.9p was paid previously.

Tax for the first half was reduced from £308,000 to £190,000 and left net profits at £231,000, against £308,000.

British Land 31% ahead at £11.8m

WITH A further strong advance over the second six months the British Land Company, engaged in property investment and development, saw its 1984-85 pre-tax profits improve from £9m to £11.8m, a rise of 31 per cent.

Mr John Ritblat, the chairman, says the year was one of activity and expansion in all aspects of the group, both at home and overseas.

The benefits from property investments and developments will accrue to augment growth of both capital and revenue value in the coming year, shareholders are told.

The group's large pool of cash and facilities enable it to take the best advantage of opportunities, directly, corporately or in partnership, the chairman adds.

British Land believes that the continuation of its present policies will promote an increase in shareholders' funds and a progressive dividend policy.

For the past year, to March 31 1985, the dividend is going up from 2p to 2.5p net per 25p share by a final of 1.75p.

Gross rental income, including the proportion of rents in properties owned through investments, rose from £26.1m to £31.5m, an increase of 21 per cent.

Post dilution net worth amounts to £283m and with net borrowings at £220m the current ratio of net debt to property and investments totals 46 per cent.

Mr Ritblat says, however, that the underlying net worth would be higher if the premium value of the industries and developments were included.

A full external and independent valuation of the entire group portfolio was commissioned for the UK and for substantially all of the overseas portfolio. As a result of incorporating these valuations into the accounts, net worth increased from £245m to £274m.

Mr Ritblat says the largest item in the group's expansion was the acquisition of Rank City Wall at a cost of £63m for a gross portfolio valued at £93.5m. He points out that the company now re-named City Wall (Holdings), is fulfilling the promises made last October at the time of acquisition.

The acquisition complemented British Land's existing portfolio of good office properties and its central City properties, including Plantation House which had a good year. The latter, although by far the most important property, now represents under 20 per cent of their total asets.

Pre-tax profits of Euston Centre properties increased by 19 per cent to £7.36m for the year. The chairman says British Land will receive 50 per cent of this profit post tax as dividend representing a good return on its investment cost of £31m.

Overall, the group's property investment and development programme has continued to show capital and revenue profit.

British Land of America's profits for the nine months to March 31 was in excess of $1m. The directors say it has valuable tax losses for federal income tax purposes and the assets which had been substantially reduced as a result of rationalisation of the former growth realty portfolio have now increased to $100m, marking a further stage in the turnround under the group's management.

Mr John Ritblat, the chairman

W. Crowther & Sons, an industrial subsidiary, achieved a record turnover with increased pre-tax profits overall.

Gripperrods Holdings (acquired in September 1984) is trading in accordance with expectations. The entire goodwill of Gripperrods has been written off in accordance with the group's policy of holding its industrial companies on the basis of net assets and net of goodwill. These interests could be realised at a very substantial premium to book value, for which there is no attribution in the group's accounts.

Group interest charges for the 1984-85 year accounted for £15m (£13m) and tax for £1.1m (£0.6m).

Earnings per share emerged at 10.1p, against a previous 8.1p, and net assets per share were 248p (235p) current and 204p (187p) fully diluted.

• comment

The market is well aware that property valuers are taking a tough line but that did not stop British Land's price showing some disappointment in a fully diluted NAV of 204p per share. The reaction seems harsh given that the portfolio is up by 9 per cent. What probably caught a couple of the analysts out is the £12m write-down on some of the industrial properties. But Land would claim to be ultra conservative and with a good base value, the balance sheet should benefit as, and when, capital values start to creep forward again. And even now, if the industrial division is taken into the valuation at anything like a realisable value, the nav could rise by, say, 10 per cent to 225p which lifts the share price's discount to asset value from 33 per cent to 40 per cent. The rating is surprisingly modest, especially as the dividend has been pushed up in the last couple of years—the yield is now 2.6 per cent at 137p—and there is little in the price for John Ritblat's ability to pull off some very attractive deals — e.g. Euston and Rank City.

Static first half for Rayford

Higher depreciation and interest charges have left profits of Rayford Supreme Holdings little changed for the 26 weeks ended March 29 1985.

The USM group, a retailer of domestic electrical appliances and home entertainment equipment, pushed its turnover up by £4.26m to £18.79m but returned pre-tax profits of £1.24m, against £1.26m.

Depreciation accounted for £248,000 (£157,000) and interest for £134,000 (£42,000). Tax took £520,000 (£534,000) but the absence of extraordinary charges (£192,000) left available profits at £724,000, compared with £534,000.

The interim dividend is the same at 1.75p net per 25p share—a final of 3.15p was paid previously.

Turnover included satisfactory volume increases from existing branches as well as additional turnover from new branches.

The directors say profits were after taking into account the cost of setting up and running the new distribution centre at Swindon.

Earlier this month Harris Queensway made a share exchange offer for Rayford Supreme. Terms have been agreed and the offer document is on its way to shareholders.

Whittington Eng

Whittington Engineering Company, Derbyshire-based metal fabricator, has improved pre-tax profits for the year to end-March 1985 from £87,000 to £100,000 on turnover ahead by £210,000 to £1.43m.

The dividend is being held at 4.4p for the year, with an unchanged final of 3p. Net earnings per 25p share are shown up at 9.48p (5.16p).

The operating profit of £89,000 (£77,000) was after distribution costs and administrative expenses of £600,000 (£566,000), but includes other operating income of £50,000 (£59,000).

There was a tax credit of £8,000 (debit £28,000).

Energy Capital deficit

LOSSES CONTINUED in the six month period to September 30 1984 for the oil and gas exploration and uranium mine development company Energy Capital. On turnover greatly reduced from £123,000 to £71,000, the operating loss was £22,000 (£6,000).

Interest payments, however, were down from £51,000 to £14,000, leaving the pre-tax losses at £36,000 (£57,000).

With a higher provision for tax at £25,000, against the previous period's £10,000, retained losses were only slightly changed at £61,000 (£67,000).

Losses per share came out at 0.002p (0.9p) per 12.5p share.

The directors say that the company has continued to expand its oil and gas interests in the U.S. and portfolio investments have been liquidated to help fund this. The investment in the Bison Basin uranium project in Wyoming is being reviewed with a possibility of its being disposed of.

UK COMPANY NEWS

Bell takes legal advice over bid by Guinness

By Lisa Wood

THE TAKEOVER battle between Guinness and Arthur Bell took an unusual turn yesterday with Mr Raymond Miquel, the chairman of Bells, saying be had taken legal advice and bad complained to the Takeover Panel over merchant banker Morgan Grenfell acting for Guinness.

Mr Miquel claimed that because bis company had a relationship with Morgan Grenfell it should not bova advised Guinness in its bid for the Scotch whisky company. Mr Miqual, in effect, would like Morgan Grenfell to stop acting on Guinness's behalf.

Mr Graham Walsh, head of the corporate finance division of Morgan Grenfell, speaking after Mr Miquel's announcement, said his bank had acted for Bells prior to 1983.

"Bells formally wound down its business connections with Morgan Grenfell in February 1983," said Mr Walsh, "and since then Henry Ansbacher, the merchant banker, bas advised it on its Gleneagles and Wellingtons Importers ocquisitions.

"Wo have bed no significant business with Bells since 1983. Also when rumours wero rife of a possible takeover bid for Bells, with its sbare price rising, we were never contacted by Bells."

At his press conference Mr Miquel launched a epirited defence against the Goinness bid.

"It would be an absolute disaster if a stagnant company like Guinness, with a dismal track record in the U.S. was to interfere with our marketing organisation," said Mr Miquel who had clearly been stung by Guinness's criticism over the marketing of Bell's scotch whisky both in the UK and abroad particularly in the U.S.

He added: "There is absolutely no merit in this bid, either in management, marketing terms or at the offer price."

Mr Miquel said profit estimates for Bell would be contained in its formal defence document. "My advice to shareholders," be said "is to stay with the winning team and a team that knows about marketing."

He warned that a successful takeover by Guinnes would lose whisky sales and result in jjob losses.

No connter offer had been made for Bell. There was no price Mr Miquel could suggest thet would be acceptable as tho company was not for sale. He personally could not work under the Guinness regime. Ho said he had not been contacted by Mr Ernest Saunders, chief executive of Guinness, and had no wisb to meet bim.

Mr Miquel hit back strongly at Guinness's criticisms of Bells marketing and particularly its lack of progress in the U.S.. "Guinness," be said "bad 1.6 per cent of the imported beer market in the U.S. in 1980 and 1.7 petr cent in 1984" — hardly the base, be suggested, to develop Bells sales.

Barker & Dobson loss much worse than expected

BY LUCY KELLAWAY

Barker & Dobson, tho confectionery group, yesterday surprised tho City by announcing pre-tax losses for 1984 of £2.8m, compared to profits of £1.7m last year. This was considerably wrose than the unexpected warning issued in March that losses for the year might total £1.5m.

Mr John Fletcher, the ex-managing director of Asda, who wsa brought in as chairmen of Barker & Dobson last month said that tho cuase of the loss was "a complete loss of control of gross margin" on tha retail side. Poor checks had been kept on both the financial and physical aspects of the business, he said.

No new factors had emerged sinca March, he said, but the trading loss of which the old management bad been quite unaware until they proved to be much greater than thay had expected.

Last week the company announced details of its plans to sell the antire retail sida which consists of tha 150-strong Lewis Meeson chain of cvigarette confectionery and newsagent shops to Guinness for £10m.

"It was a mature business, but 150 stores is not large enough for it to be a critical mass. The deal assures tha security in the long term of the 15,000 or 16,000 people in that business" Mr Flotcher explained yesterday.

Tha company's manufacturing operetions also made small losses last year, and contributed to group losses at the operating level of £2.2m (profit £2.1m). Related companies contributed £113,000 (£90,000), while interest charges rose to £694,000 (£513,000). Tho tax charge was £117,000 (£194,000), and there was an extraordinary debit of £92,000 (£268,000). The loss per share was 1.61p compared to earnings of 0.91p in 1983.

There is no final dividend, leaving a total of 0.1p (0.25p) for the year.

● **comment**

Barker and Dobson has been a bitter disappointment to its shareholders. As recently as February this year, City analysts were forecasting e profit of £2m for 1984, and were badly shocked by the warning in March. But no ono was quite prepared for the extent of the damage. It is difficult to believe that o company could bave bad no idea that it was making losses on its retail operations until three months after the year-end, mistakes, presumably, that the likes of Mr Fletcher could not make. His decision to get shot of the retail side altogether may not have been the right choice in the long run, as be could no doubt have turned it around. However, the choice may not have been there, as the wbole group was in such weak financial shape that it badly needed an injection of cash. The £10m provided by the sale will reduce gearing to nil, and allow the company to concentrate on its traditional manufacturing business. The company plans to restore this to profitability by launching a marketing drive and cost-cutting. However, it is too late to expect anything much for this year, and the beavy losses made on the retail side in the first four months are likely to mean that 1985 will be another year of losses overall. At 10p the ohares may not have quite tonched the bottom.

Mitchell Somers advances 51%

Mitchell Somers, the West Midlands engineering group, yesterday reported a 51 per cent rise in pre-tax profits for the year ended March 30 and announced plans for the acquisition of Trio Containers, a Newport Pagnell maker of waste container skips.

The profit rise from £1.03m to £1.56m was before extraordinary dobits of £709,000 (£261,000) from rationalisation of its Wolverhampton Dia Casting subsidiary and disposal of two others. After tax of £487,000 (£214,000), attributable profits fell from £556,000 to £364,000.

Turnover was £31.3m (£29.8m).

Earnings per share rose from 5.2p to 6.8p and the final dividend was maintained at 1.75p, making an unchanged 3.25p for the year.

Mitchell bas exchanged contracts for the acquisition of Trio at a price based on profits and of its premises for £270,000. For the business, Mitchell will pay 4.5 times average annual pre-tx profits to 1988. If the profits exceed £300,000, Mitchell will pay 5.5 times the surplus.

Trio had pre-tax profits of £238,000 in the year to June 30 1984.

Provided its shareholders approve the deal, Mitchell will make a first payment of about £1.25m in August, of which £250,000 will be in 416,667 Mitchell shares. Tho balance is payable in December 1988.

Mr W. G. Mowat, a managing director of Trio and owner of 59 per cent of its shares, will enter into a four-year service agreement.

Mitchell said Trio's products were a logical extension of its materials handling business.

MINING NEWS

Partners stall Hampton plans

BY KENNETH MARSTON, MINING EDITOR

THE AMBITIOUS plan of London's Hampton Gold Mining Areas to embark on a major low-grade open-pit gold mining operation in Colorado has been stalled. Its major partner, the U.S. Centennial Gold Corporation, is unable to provida its full share of tho finance needed to complete the feasibility study.

Centennial has no connection with Centennial Minerals of Vancouver, which is involved in the Montane Tunnels gold venture in Jefferson County, Montana.

Hampton Areas, which has so far invested some $9m (£6.9m) in the venture, bas told its U.S. partners, Centennial and its affiliate Marathon Gold Corporation, that "it does not intend to provide the companies with additional funding on further management support in the absence of e new injection of finance from other sources."

In the meantime, Hampton Areas proposes to make full provision against the Colorado gold investment as an extraordinary charge in the company's accounts for the year to March 31, which are due to be announced on Juna 26.

The latest news resulted in shares of Hampton falling 32p to 143p yesterday. It comes on top of an anticipated fall in aarnings for the past year resulting from the impact of the UK coal miners' strike on the company's domestic coal operations. For the first half distributable profits were 28 per cent down, at £761,000.

Following a restructuring at the beginning of this year Hampton Areas took control of Centennial Gold and Marathon, acquiring a direct 38.75 per cent interest.

The U.S. companies, which have announced their intentions to merge, tried unsucessfully to raise their share of the further funds for the Colorado activity via e $7.5m private placement of stocks. They are now looking to other means of raising the funds.

At the time of the restructuring Hampton Areas said that it planned a tighter, eost-cutting, programme of assessment work following the delay in the original programme.

Mr George Livingstone-Learmonth, tho Hampton Areas' chairman, added, "we'll be taking e very much closer grip," and said that he was still basically confident in the venture, despite the fall in the gold price.

ACM report on drilling

Australian ...... Consolidated Minerals reports the intersection of a main quartz reef and three narrow footwall reefs at depths of between 1,000m and 1,080m in drilling at the old Great Fingall mine area near Cue in Western Australia.

A first intersection cut 0.9m of mineralisation grading 15.06 grammes gold per lonne while others gave 3.12g over 4m, 2g over 1.9m and 2.36g over 1.8m.

Mining tenements to the prospect are owned by ACM (60 per cent) and Austamax Gold (40 per cent). Great Fingall Mining, the operator, can earn a 49 per cent stake in the prospect by spending A$980,000 (£500,600) on the drilling programme before January, 1987.

ACM is also developing two gold mines for production in May, 1987. They are the small Golden Crown, near Cue, which has an ore deposit of 350,000 tonnes grading 20g per tonne gold, and the Westonia property at Southern Cross which holds 1.9m tonnes grading 3.5g per tonne gold.

Gold mines above expectation

THE HIGH gold price in terms of the South African rand has enabled the two gold mines in South Africa's Johannesburg Consolidated Investment stable, Randfontein Estates and Western Areas, to declare dividends which were above market expectations.

Both mines have declared final dividends for the 18-month period to tha end of June, following changes in the financial year-end.

Randfontein's payment of 800 cents (320p) a share is directly in line with its previous final, and brings tho total for tho 18-month period to 1,850 cents, compared with 1,050 cents for tha preceding 12 months.

The more marginal Western Areas has declared a final payment of 10 cents a share, bringing the total for tho 18 months to 62.5 cents. This compares with a total distribution of 50 cents for the previous 12 months.

Apex Mining

Net income of Apex Mining, a medium-sized prodncer of gold in the Philippines, fell last year to Pesos 21.5m (£950,400) from Pesos 24.8m in 1983. While gold output declined to 37,607 oz from 46,557 oz, costs increased to Pesos 123.3m from Pesos 97.9m. This offset the benefits to sales revenue of Peso devaluation.

BANK RETURN

BANKING DEPARTMENT	Wednesday June 19 1985	Increase (+) or decrease (—) for week
LIABILITIES	£	£
Capital	14,553,000	—
Public Deposits	3,891,271,185	— 8,020,840
Bankers Deposits	721,267,893	— 168,785,071
Reserve and other Accounts	1,467,507,100	— 1,514,042
	6,094,599,178	— 178,323,556
ASSETS		
Government Securities	546,238,381	+ 18,985,000
Advance & other Accounts	991,339,653	+ 291,066,980
Premises Equipment & other Secs.	4,548,261,309	— 487,919,546
Notes	8,561,636	— 415,660
Coin	199,989	+ 12,585
	6,094,599,178	— 178,323,556

ISSUE DEPARTMENT		
LIABILITIES	£	£
Notes in circulation	12,111,438,364	+ 416,520
Notes in Banking Department	8,561,636	— 415,520
	12,120,000,000	—
ASSETS		
Government Dept	11,015,100	—
Other Government Securities	1,661,373,248	+ 154,952,794
Other Securities	10,447,611,652	— 154,958,794
	12,120,000,000	—

APPOINTMENTS

Changes at Pilkington

Mr Peter Grunwell has been appointed a director of PILKINGTON BROTHERS. Currently group chief accountant, be will take uo his duties on October 11, following the retirement of Mr D. F. Pilkington and Mr M. L. D. Windsor. Mr Robert Horton has been appointed a non-executive director. A managing director of the British Petroleum Compeny with responsibility for finance and planning, ho will take np bis dnties on December 1, on the rotiroment of Mr John Leighton-Boyce. Sir Alastair Pilkington will retire from the board after the annual meeting on July 31, when he will become president.

★

LAZARD BROTHERS AND CO bas appointed Mr Patrick Hope-Falkner director of Lazard Securities, the investment management subsidiary of Lazard Brothers, from July 1. Prior to joining Lazard Securities as a trust consultant, Mr Hope-Falkner was a solicitor with Freshfields for 11 years.

★

Mr Philip Hamilton bas been appointed deputy managing director of THE WRIGLEY COMPANY.

★

DILLON, READ has appointed Mr David Roper as a senior vice president. He was with Barclays Merchant Bank and before that with S. G. Warburg and Co.

Mr Patrick McTighe has been appointed chairman of DAVY ENGINEERING INDUSTRIES which controls Davy's manufacturing and services companies. Mr McTigho is currently chief executive of that company and a main board director of Dovy Corporation.

★

PARKLAND TEXTILE (HOLDINGS) has appointed Mr Stanley Carlisle a director. He was appointed managing director of Parkland Manufecturing Co. in 1982, and has latterly beld the position of group technical director specialising in particular in technical and management development.

★

Mr Bernard G. White has been oppointed managing director of CORSI & PARTNERS, the London company of an Italian Reinsurance broking group. Ho will continue as chairman of Bernard G. White Consultants. Barone Carlo Ando' bas also been appointed to tho board of Corsi & Partners. Barone Ando' was director general of Alitalia's major subsidiary SAM for many years before taking over in 1976 as chairman of Mutuamar SpA, an Italian state-owned insurance company.

★

Mr Mike Tytherleigh has been appointed managing director of VENDOPS. He was sales and services director.

Mr Geoffrey Bennett has been oppointed managing director of LOCTITE UK. He replaces Mr Richard Aston, who has joined Tetrosyl as its group managing director. Mr Bennett joined the company be now leads in 1970 as a sales engineer with the industrial products division.

Mr Alan Wren, managing director of Prudential's unit trust company.

Mr Alan Wren has been appointed managing direclor of PRUDENTIAL UNIT TRUST MANAGERS from July 1. He joins the Prudential from Toucbe Remnant & Co, where bo was a main board director and aleo managing director of the group's unit trust company.

★

NATIONAL MUTUAL LIFE ASSURANCE SOCIETY has appointed Mr Richard Mason as London areo sales consultant from July 1. He was a devolopment manager with the society.

★

Mr John Gardiner bas joined the board of ENTERPRISE OIL as a non-executivo director. Ha is chief executivo of The Laird Group.

★

Mr David Mills, et prosent an assistant general manager, MIDLAND BANK, has been appointed regional director, south-east, from July 1 in succession to Mr John Vaughan, who has retired.

★

Mr David L. Boon has been appointed managing director of A.N.C. Midlands by A.N.C. HOLDINGS, Stoke on Trent. He has previously beld senior executive and board appointments with both Great Universal Storos and the Unigate/Giltspur group.

★

BARLOWS, engaged in packing and warehousiog, incurred a pretax loss in 1984 of £5,948, against o profit of £43,310, on turnovor down by £88,000 to £449,546. The single final dividend, bowever, is being maintained at 7.5p despite losses per £1 share of 1p (earnings 9.9p).

CONTRACTS

£6m underwater work

BRITISH UNDERWATER ENGINEERING has been awarded a contract by Santa Fe Offsboro Construction Company for the supply of spool pieces and for installation of riser bases, flowlines and spool pieces for the Balmoral Development Project. The work is being undertaken by BUE's subsidiary KD Marino (UK) and is worth over £6m. The work forms part of the contract between Santa Fe Offsbore Construction Company and Becbtel Great Britain, on behalf of North Sea Sun Oil Company, under which Santa Fe is responsible for the supply and installation of the flowlines and the export pipeline for the Balmoral Field. The offshore programme runs from June for three months in 1985 with a further two months' work to be completed during the 1986 season.

★

ICL has signed a £4m contract with MICROVITEC to supply equipment for ICL's new One Per Desk (OPD) voice/data workstation. Microvitec will supply 14-inch, high-resolution, contrast-enhanced monitors built to ICL's specifications.

MARCONI SECURE RADIO SYSTEMS has been awarded e £4m contract to supply its MINSTREL radio system to a Middle Eastern customer. The order, which consists of many bundred hand-beld rodios, associated vehicle-applique units, control and remote talk-througb facilities, will give the customer a highly flexible communications system with the edded edvantage of integral high-grada digital speech encryption.

★

MARCONI COMMUNICATIONS SYSTEMS has been awarded a £3m eontract by the Royal Navy to supply 12 of e new privete-venture-designed control system for tho Type 23 Frigate. Tho equipment, known as tho Marconi H6720, controls and monitors all tho ohip's external communications equipment, including LF, MF, HF, VHF, UHF and underwater communications. It can provide single or paralleled interconnectivity of up to 40 equipment lines with 70 remote user positions, and can be expanded to cater for larger shipborne requirements.

MAINMET, an associate company of Mainmet Holdings, bas won an order worth around £750,000 from the Washington Development Corporation for beat metoring and heating control equipment in 1,325 bomes on two district heating schemes within the Tyne and Wear region. Completion of tho installations and commissioning of the equipmant is scbeduled for the end of November.

★

GLASSFLAKE INTERNATIONAL, a Coatbridge-based company, bas won a £1m contract to supply en anti-corrosion protective coating for a floating oil storage project to be ancbored off tho coast of Colombia. Tho contract comes from ETPM, a consortium of ono French and two American oil companies.

★

COMPAIR HOLMAN has been awarded a contract worth £1.3m by the Syrian Roed Company through Sayarat, a government agency. The contract is to supply plant for tho construction of a 100 km (62 miles) road and motorway link between Lattakia and Tartous: two of Syria's principal ports. The order is for 25 CompAir Holman Holtrak drill rigs, mounting Silver 115R drifters, supported by 25 CompAir Holman 700 HE compressors.

A £2m Ministry of Defence design and manufacture contract for traneportable field laundries has been ewarded to CARRON-HALL ENGINEERING. Following trials on two prototype nnits, production has commenced on 65 laundries. All are for the British Army, supporting its field hospitals. Each unit can launder 50 kg of dry weight hospital laundry per bour.

★

A contract worth over £2m for 23 cement powder railway wagons for Blue Circle Cement bas been won by POWELL DUFFRYN WAGON. Tbis advanced rail car, claimed to be the best of its kind in Europe, is e 51-tonno gross laden weigbt wagon with a special ligbtweigbt barrel body designed to carry e bigger payload.

★

BABCOCK POWER has won a £1m-plus contract for the manufacture, inspection and non-destructive examination of a number of sub-assemblies for the first Trident submarine bull. The sub-assemblies, which are for Vickers Sbipbuilding and Engineering in Barrow, include pressuro bull sections, bulkheads and deck plating. The bulk of the work will be completed during 1985 et the Renfrew (Scotland) works of Babcock Power, a Babcock International company.

UK COMPANY NEWS

Expansion costs leave Courts profits unchanged

TRADING profits for Courts (Furnishers), the Surrey-based furniture retailer, advanced 14 per cent to £11.25m in the year to the end of March 1985. Higher interest charges, resulting from its increased rate of expansion and transfer to deferred profit up by 2¼ times, left the pre-tax almost unchanged at £7m (£6.97m).

The results were achieved on turnover up by 9 per cent at £86.91m, compared with the previous year's £79.43m.

An unchanged final payment of 2.95p net has been proposed, making a same-again unchanged total of 4.7p.

Directors say that interest costs were considerably increased from £1.42m to £2.11m as a result of greater borrowing to finance the group's rate of expansion both in the UK and overseas.

During the year the first two Mammoth out-of-town stores were opened successfully in Corby and Swansea and began trading well. New Court stores were opened successfull in Burgess Hill, Sussex, Gravesend, Newmarket and Newton Abbot.

The Hong Kong subsidiary was sold but new outlets were opened in Australia, Barbados, Jamaica, St Lucia and Singapore.

In the present year the company plans to open two more Mammoth stores in the UK and six more overseas. The new store in Mauritius began trading last week most encouragingly, the directors say.

Trading generally, however, has not started the year as buoyantly as the directors would have liked. Although iti s too early to make o firm prediction interest costs are likely to remain high, unless there is a large fall in rates, and the costs of expansion will be heavy and it is expected that good results will be difficult to achieve.

With tax at £2.85m (£3m), minority interests taking £276,000 (£292,000), and extraordinary items of £787,000 (£200,000), attributable profits came out at £3.08m, against £3.48m for the previous year.

Earnings per share were 17.4p (16.9p).

● comment

High interest rates have hit Courts twice over: not only in raising the cost of financing its expansion programme but also through their effect on mortgage rates. The company's UK stores may be sited predominantly in the prosperous south of the country but even there home-owners faced with hefty increase in their mortgage repayments are making their three-piece suites last a little longer. The overseas contribution looks healthier, particularly now that the loss-making Hong Kong branches have been sold: last year overseas activities produced 45 per cent of sales but 60 per cent of trading profits. The somewhat limp overall result seems likely to be repeated this year: the expansion programme is rolling on, there is little prospect of a substantial fall in interest rates, and deferred profits are set to grow with the increasing proportion of hire purchase sales overseas. At yesterday's share price, down 1p at 114p, a repeat performance would produce a p/e of 6½—extremely modest for the sector but probably realistic in the short-term. The above-average yield of 5.9 per cent, however, is underpinned by a strong balance sheet and suggests that the shares may be worth holding for the day when Courts reaps the benefits of its investments.

Wigfall outlook more promising

THE MINERS' strike cost Henry Wigfall and Son some £0.4m in 1984-85, but the main reason for a pre-tax deficit of £62,000 was the high level of interest charges, which wiped out a trading profit of £1.26m.

Last time this Sheffield-based electrical retail and rental group made £35,000 after interest had taken £1.1m. For the year to end-March 1985 finance costs were up to £1.33m, reflecting the sharp increase in lending rates.

The directors made a £2.36m cash-call last February with the intention of reducing bank borrowings, and they now say that these proceeds, together with the cash from an insurance settlement, will provide greater flexibility for the further development of the group.

They add that all elements of the redevelopment programme are proceeding satisfactorily and the outlook for the current year is more promising. The company's shares were unchanged yesterday at 115p.

At the time of the rights issue there were forecasts of up to £75,000. Last year's small profit followed two years of heavy losses.

As already announced, there is no dividend recommended for the current year, but they restate their intention to pay a total of 2.5p for 1985-86. The loss per share for the period under review was 1.2p (0.7p profit).

Turnover was up from £41.21m to £46.31m. The miners' strike affected a large proportion of the company's trading area.

There was no tax charge, but included in the profit and loss account is an extraordinary item of £100,000 as payment in compensation to Mr Richard Morrell, who resigned as managing director last December with four years of a service contract to run. The retained loss came to £163,000 (£41,000).

The rights issue of 2.6m 7 per cent convertible cumulative redeemable £1 preference shares raised approximately £2.36m net for the group. The insurance proceeds came from the settlement received in April 1985 in respect of property destroyed by fire in May 1984 at Fitzalan Square, Sheffield.

COMPANY NEWS IN BRIEF

BISICHI TIN returned pre-tax profits of £66,000, compared with £85,000, for 1984. The figures were significantly affected by dealing profits, particularly in metals. The directors say 1985 results should be satisfactory. The dividend is held at 0.65p net. Earnings per 10p share fell to 0.76p (1.14p).

HOLLIS BROS & ESA bid for Solicitors' Law Stationery Society has been declared unconditional following acceptances having been received in respect of 91.5 per cent of the ordinary shares for the share and Pergammon Press cash offer. The offer remains open until 3 pm on Tuesday, July 2.

CENTROVINCIAL ESTATES (property investor and developer) has announced lower pre-tax profits of £2.71m for the year to end-March, 1985, against £3.22m. Gross rental income fell by £302,000 to £8.86m. The total dividend is maintained at 6p with a same again 3p final.

EUSTON CENTRE PROPERTIES' pre-tax profit rose by 19 per cent from £6.2m to £7.36m in the year to the end of March 1985. The company owns major freehold and other properties in London et Euston Centre and Vogue House in Hanover Square. It is jointly owned by Stock Conversion and British Land. The properties have been revalued at £118m.

ELECTRA MANAGEMENT, a subsidiary of Electra Investment Trust, has launched the group's four venture capital fund for private investors. Electra Risk Capital IV (ERC IV) is asking investors for up to £4m which will be used to back established unquoted companies with the aim of obtaining capital growth. Subscriptions, which must be a minimum of £2,000, will qualify for tax relief under the Business Expansion Scheme.

PROPERTY PARTNERSHIPS increased pre-tax profits by 14 per cent in the year to the end of March, 1985, from £978,000 to £1.12m. A final payment of 4.5p net (4p) makes a total for the year of 7.8p (7p). A scrip issue of one share for two is also proposed. Net assets attributable to each ordinary share, before capital gains tax liability were 468p.

LONDON AND Associated Investment Trust, finance company, raised 1984 turnover from £422,000 to £533,000 and pre-tax profits from £250,000 to £311,000. Tax took £165,000 (£110,000) to leave net profits at £146,000, against £140,000. Earnings per 10p share amounted to 0.95p (0.91p) and the dividend is lifted to 0.24p (0.2p) net.

MOUNTVIEW ESTATES, property investment and dealing company, reported pre-tax profits of £4.38m (£4.28m) for the year to end March 31, 1985, on turnover ahead from £6.23m to £6.53m. The dividend is held at 4.5p per share for the year with an unchanged 3.5p final. Earnings are stated at 48.1p (42.8p).

MANOR NATIONAL has decided not to pay the dividend on the 10.5 per cent redeemable cumulative preference shares in respect of the six months to July 6, 1985. The half year payment in respect of the periods ending January 6, 1983 and January 6, 1985 will remain in arrears.

KENNINGS ESTATES, a subsidiary of Kenning Motor Group, saw pre-tax profits for the six months to March 31 1985 fall from £522,000 to £388,000 on turnover of £1.35m (£1.3m).

DUNDEE and London Investment Trust had a net asset value of 223.7p per share at the interim stage, compared with 199.1p a year earlier. Gross revenue for the six months to the end of April was £606,000 (£530,000), with pre-tax revenue of £555,000 (£448,000). Tax took £189,000 (£143,000), leaving earnings per share at 2.14p (1.77p). It is proposed to increase the interim payment from 1.5p to 2p, and the directors say they intend to recommend a final of not less than last year's 3.2p.

FT COMMERCIAL LAW REPORTS

Court refuses to request Portuguese cross-examination

SETTEBELLO LTD v BANCO TOTTA & ACORES

Court of Appeal (Sir John Donaldson, Master of the Rolls, Lord Justice Neill and Sir John Megaw): June 19 1985

THE ENGLISH court will not issue letters of request to the court of a friendly foreign country requiring it to examine witnesses with regard to allegations that its government has abused its legislative powers, in that to do so would be to embarrass or offend the foreign court and would constitute a disregard for judicial comity.

The Court of Appeal so held when dismissing an appeal by Settebello Ltd, a Liberian company, from Mr Justice Hirst's refusal to issue letters of request to Portuguese and German courts inviting them to examine named witnesses in support of its allegation that the Portuguese government had abused its legislative powers to the disadvantage of Settebello in respect of sums guaranteed to it by Portuguese bank, Banco Tota & Acores.

Order 39 rule 1 of the Rules of the Supreme Court provides: "(1) The court may . . . where . . . necessary . . . make an order . . . for the examination on oath before a judge . . . at any place, of any person. . . ."

Order 39 role 2: "(1) Where the person . . . is . . . out of the jurisdiction, an application may be made (a) for an order . . . for the issue of a letter of request to the judicial authorities of the country in which that person is, to take . . . the evidence of that person . . ."

SIR JOHN DONALDSON, Master of the Rolls, said that Settebello was successor to a Panamanian company which had contracted with Portuguese shipbuilders for the building of a very large oil tanker. When the order was placed there was thought to be a great future for monster vessels, but opinions had changed.

The shipbuilding contract provided that if the vessel was not ready for delivery by April 30 1982, the buyers would be entitled to cancel, and all advance instalments of the purchase price would be repayable with interest. Banco Totta and Acores, a Portuguese bank with a place of business in the UK, guaranteed repayment if it became due.

By April 20 1982 it was apparent that delivery within 10 days was impossible. Settebello was no doubt greatly relieved that it would not have to take delivery of the vessel which . . . reason of its size and the changed market climate, had become something of a white elephant.

It was also no doubt contemplating with eager anticipation the repayment of advance instalments of the purchase price and interest, amounting to some $25m.

To its dismay, on April 20, the Council of Ministers of Portugal published decree-law 119/82 providing that Portuguese companies declared to be in a critical economic condition should be entitled to bring about suspension of the right of unilateral cancellation of a contract to which the law applied.

The shipbuilders had been declared to be in a critical economic condition and *prima facie*, therefore, they qualified to take advantage of the new decree law. *On April 22* they claimed to do so by notifying Settebello that the vessel would be delivered within two years during which the right of cancellation could be suspended.

Settebello purported to cancel the contract and demanded return of the advance instalments. The shipbuilders failed to pay. Settebello demanded payment *from* the bank, which denied liability in reliance on the decree-law.

Hence the present action, in which Settebello alleged that the law was unenforceable and applied for letters of request for examination of named witnesses, including two Portuguese Ministers, by German and Portuguese courts. None of the witnesses was prepared to come to the UK to give evidence, nor to give evidence voluntarily in Portugal and Germany.

The pleaded factual basis for Settebello's submissions was that the shipbuilders were state-owned, as was the bank, and when in early 1982 it became clear that the right of cancellation would arise, the shipbuilders' president conceived a plan to persuade the Portuguese Government to promulgate legislation to suspend Settebello's right.

In essence the attack upon the decree-law was based on an allegation that the Portuguese Government had abused its legislative powers by promulgating a law which, while purporting to have general application and to serve the public interest of Portugal, was designed and intended to affect only the rights of the shipbuilders and the bank to the disadvantage of Settebello.

Three issues arose before Mr Justice Hirst, namely, (i) whether the evidence sought to be obtained was relevant to give effect to the decree-law; (ii) whether the evidence, if relevant, would be admissible or would be excluded on grounds of comity and (iii) whether, as a matter of judicial discretion, letters of request should be issued in view of the delicacy of the issues which would be under investigation.

The judge reviewed many authorities. He expressed grave doubts as to whether evidence of the motives of foreign legislators, in contrast with evidence of the effect of foreign legislation, could ever be relevant to such an issue. He formed the view that the House of Lords decision in Buttes Gas (1982) AC 888 effectively rendered such evidence of motive inadmissible.

Finally he said, "Added to all these considerations is the fact that the court, if it issued the letters of request would be entering into a sphere of the very highest delicacy and sensitivity involving the legislative acts of a friendly foreign state . . . In such a situation it behoves the court . . . to move with the very greatest circumspection . . . Consequently . . . it is in only the very clearest cases that the court should and would issue letters of request in this particular sphere."

He therefore refused to authorise the issue of the letters of request in the exercise of his judicial discretion. It was from that decision that Settebello appealed.

In *William & Humbert v W. & H. Trade Marks (Jersey)*, (FT, *January 15 1985*) Mr Justice Nourse classified the circumstances in which the English courts would decline to give to foreign law under the following headings:

Class 1 laws which the English courts would not recognise—A: Foreign confiscatory laws which, by reason of their being discriminatory on grounds of race, religion or the like, constituted so grave an infringement of human rights that they ought not to be recognised as laws at all. B: Foreign laws which discriminated against UK nationals in time of war by purporting to confiscate their moveable property situated in the foreign state.

Class 2 laws which would be recognised, but to which effect would not be given—A: Foreign laws confiscating property situated in the foreign state, if penal; B: Foreign laws which purported to confiscate property situated in the UK.

Class 3 laws to which effect would be given provided that they did not fall within Class 1—Foreign laws which confiscated property in the foreign state and where title had been perfected there.

On appeal that classification was accepted by the Court of Appeal (*FT, April 24 1985*).

The application should be rejected in the exercise of judicial discretion. In the light of the classification in *Williams & Humbert* effect should be given to decree-law 119/82 unless there had been some degree of failure to comply with the standards accepted among civilised nations, or the law could be characterised as abhorrent in nature, or there had been some degree of "iniquity" on the part of the Portuguese Government.

Any letters of request issued in the present circumstances involved inviting the Portuguese courts to assist the English courts to investigate the allegation. Such a request would be deeply embarrassing and indeed offensive to Portuguese courts and would be likely to be embarrassing to the courts of West Germany.

Mr Pollock for Settebello replied that he was only asking for a request to be made of those courts and that it would be open to them to refuse.

That was true, but judicial comity, or good neighbourliness between judges of different friendly foreign states, required that they refrain from making such requests of each other. It would be quite otherwise if the issue to which the evidence was directed had been whether some constitutional formality had been observed and whether, as a consequence, the law was invalid or ineffective as a matter of Portuguese law.

The appeal should therefore be dismissed.

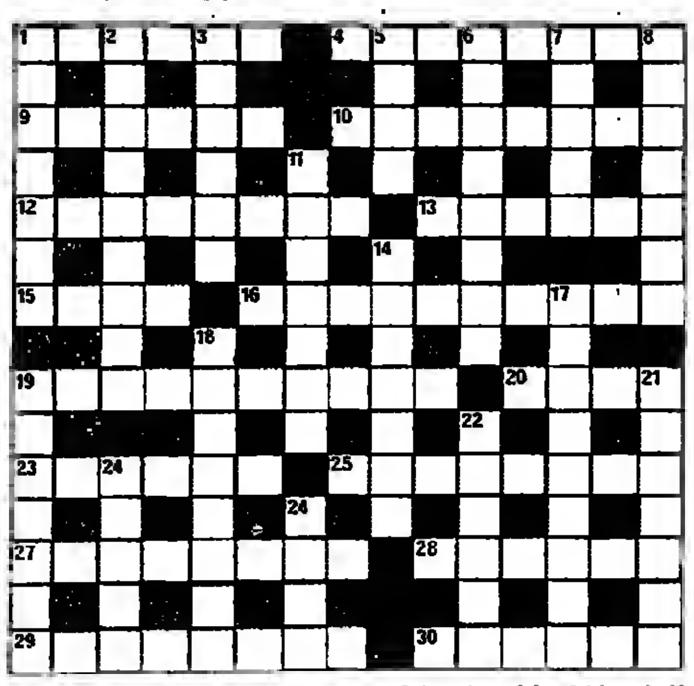
Lord Justice Neill and Sir John Megaw gave concurring judgments.

For Settebello: Gordon Pollock, QC, and Bernard Eder (Ince & Co).

For the bank: Jonathan Sumption (Marcell Bailey & Co).

By Rachel Davies
Barrister

F.T. CROSSWORD PUZZLE No. 5,749



ACROSS

1 Sound of drinkers using this Roman vessel (6)
4 Such artist's work is intended for the Walker Gallery (8)
9 Tame maggot for bait (6)
10 Clan-leader to deposit extra for his weapon (8)
12 Aircraft that is self-banking (8)
13 Ancient capital then as now? (6)
15 Girl coming out before time is a liability (4)
16 Playing "The New World?" (10)
19 Strong vessel useful at parties? (3-7)
20 Brogue, perhaps, for sound of dismissal (4)
23 It can be on a wheel—different angle on opening of flank (6)
25 Orcry was one coming from Brasenose a bit short (8)
27 Steam it released by energy-gauge? (8)
28 The old sign of those not quite gentlemen? (6)
29 Container for people at port? (8)
30 Such an attitude can't go wrong in Kent area (6)

DOWN

1 She his heroine, looking gaunt (7)
2 Painter of force (9)
3 Amount of liquid lost, often replaced by the head (6)
5 Join in friendship half-annually (4)
6 For example, painty sort of hieroglyphist? (8)
7 Wear down in zero degrees area (5)
8 Start of traitorous logic in this offence (7)
11 Football-team of shooting potential (7)
14 Road—its length is untold, we hear (7)
17 Fly or another one I munch? (9)
18 Interpreter for Mum in St. George's Quarry (8)
19 Area of silly men? (7)
21 Fundamental nature of earth—changing scenes (7)
22 Spies need little time to be a nuisance (6)
24 Room for some lofty wit? (5)
26 Untidy place that has litter in it (4)

Solution to Puzzle No. 5,748

FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

CONTINUED OVERLEAF

AUTHORISED UNIT TRUSTS & INSURANCES

Pearl Trust Managers Ltd. (a)(g)
252, High Holborn, WC1V 7EB. 01-405 8441

Pearl Growth Fd	62.7	66.7	-0.1	3.41
Accum Units	92.1	98.6	-0.1	3.41
Pearl Inc	87.2	92.8	-0.6	3.40
Pearl Unit Tst	90.9	96.7	-0.6	2.14
(Accum Units)	153.7	163.5	-1.1	4.14

Perpetual Unit Trust Mngmt. (a)
48, Hart Street, Henley on Thames. 0491 576868

Growth	180.3	191.6	+0.4	1.49
Income	135.9	145.2	-1.6	5.42
Worldwide Recovery	103.1	110.7		2.10
American Growth	55.9	60.0	+0.2	0.65
Intl. Emerging Cos.	57.0	62.1	-0.2	0.77
Far East Growth Fd	46.9	50.4	+0.5	1.00

Prolific Unit Trusts
222, Bishopsgate, EC2. 01-247 7544

Prolific Far East	103.3	110.7	+2.0	0.82
Prolific Extra Inc	61.5	65.4	-0.6	5.77
Prolific Gilt Cap	79.8	83.0	+0.3	3.31
Prolific High Inc	126.4	134.5	-1.9	5.14
Prolific Intl.	84.3	89.6	+0.3	1.46
Prolific N. Amer	116.1	124.4	+1.0	1.55
Prolific Spec. Sits.	140.1	149.0	-2.1	1.65
Prolific Technology	101.1	110.5	-0.3	0.68

Providence Capital Fd. Mgrs. Ltd.
30 Uxbridge Road, London, W12 8PG 01-749 9711

Japan Trust	48.4	50.6	+0.7	0.00
Worldwide	47.0	50.6	+0.3	1.62
European Trust	47.0	50.6	+0.3	1.70
North American	51.0	54.8	+0.5	2.08
UK Equity	49.2	52.1	-0.4	3.92

Prudential Unit Trust Mngrs Ltd. (a) (b) (c)
53-69, Ilford Hill, Ilford, Essex, IG1 2DL 01-478 3377

Holborn Equity Tst	316.6	334.6	-3.4	3.78
Holborn Gilt Tst.	149.3	156.3	-0.7	8.81
Holborn High Inc	53.0	56.3	-0.1	8.01
Holborn Intl	57.3	60.9	+0.5	0.60
Holborn UK Growth	62.6	66.5	-0.3	1.36

Quilter Management Co. Ltd.
31-45 Gresham Street, EC2 01-600 4177

Quadrant Gen. Fd	313.5	313.6		3.54
Quadrant Income	179.5	189.0		6.32
Quadrant Intl. Fund	300.6	316.5		1.58

TSB Unit Trusts (b) (c) (y)
PO Box 3, Keens Hse, Andover, Hants, SP10 1PG
0264 62188. Dealings to 0264 63432-3

TSB American	96.2	102.4	+0.9	1.21
Do Accum	99.0	105.4	+0.9	1.21
TSB Extra Income	85.2	90.7	+0.5	6.21
Do Accum	94.8	100.9	-0.6	6.21
TSB General	116.6	124.0	-1.4	3.39
Do Accum	186.0	197.8	-2.2	3.39
TSB Gilt & Fxd Int	46.8	48.8		4.46
Do Accum	56.5	58.9		9.46
TSB Income	159.2	169.4	-1.1	4.99
Do Accum	239.9	255.3	-1.7	4.49
TSB Pacific	104.2	110.9	+1.0	1.06
Do Accum	106.8	112.7	+1.0	1.06
TSB International	226.4	241.4	+1.1	1.91
Do. Accum	276.1	292.8	+1.4	1.91
Natural Resources	45.6	48.6	-0.1	2.65
Do Accum	46.1	49.1	-0.1	2.65
TSB Sletd. Opps.	46.4	49.4	-0.5	2.49
Do. Accum	49.9	53.1	-0.6	2.49

3i & Target Fund Mgrs Ltd
Target House, Gatehouse Road, Aylesbury, Bucks
Aylesbury (0296) 5941

Small Co's Fund	65.1	69.1	+0.5	0.10

Target Trust Mngrs. Ltd. (a)(g)
Target Hse, Gatehse. Rd, Aylesbury Bks (0296) 5941

American Eagle	66.4	71.6	+0.3	0.26
Australia	36.2	37.9	+0.6	0.18
Commodity	93.1	100.1	-0.1	1.73
Energy	42.6	45.8	-0.1	0.77
Equity	97.4	103.9	-1.3	3.81
European Spec. Sits.	50.2	53.7	+0.1	0.93
Extra Income	92.0	98.4	-0.4	7.37
Financial	199.4	212.7		2.40
Gilt Capital	214.2	224.3	+0.4	3.25
Gilt Income	101.2	106.0	-0.1	9.03
Gold Income	63.7	68.1	-0.4	2.24
Gold Acc	114.9	122.9	-0.8	2.24
Income	57.5	61.8	-0.2	6.06
Japan	43.9	46.8	-0.1	0.10
Malaysia & Singapore	24.9	26.6	-0.3	1.11
Pacific Income	66.8	71.4	+0.9	0.87
Pacific Re Inv	81.1	86.7	+1.1	0.87
Preference Share	15.9	17.2		10.07
Professional	475.1	506.8	-1.7	1.72
Special Sits	84.2	90.1	-0.9	2.47
Technology	39.5	42.2	-0.2	0.10
U.S. Special Bond	49.5	52.9	+0.4	6.42
Worldwide Capital	110.9	118.3	-0.1	1.75
Equity Exempt June 19	620.2	661.3		2.48
Equity Ex Acc June 19	1137.4	1215.4		2.48

Barclays Life Assur. Co. Ltd.
252 Romford Road, E7.

Black Horse Life Ass. Co. Ltd.

INSURANCES

INSURANCE, OVERSEAS & MONEY FUNDS

OFFSHORE AND OVERSEAS

World Fund S.A.
2 Boulevard Royal, Luxembourg
World Fund NAV ... $11.15 ... +0.011

World Wide Growth Management
10a, Boulevard Royal, Luxembourg
Worldwide Gth Fd. ... $12.76 ... +0.02

Yamaichi Dynamic Mngt Co SA
10A Boulevard Royal, Luxembourg
Advanced Tech ... $9.01 ... +0.01
Dynamic Groth Fd ... $8.15 ... +0.03

Money Market Trust Funds

	Gross	Net	Gr Equiv CAR	Int Cr
The Charities Deposit Fund 77 London Wall, London EC2N 1DB 01-588 1815				
Deposit	12.2	—	—	3-Mth
The Money Market Trust 63 Qn Victoria St, EC4N 4ST. 01-236 0952				
Call Fnd	12.53	9.37	11.85	6mth
7-day Fnd	12.66	9.46	14.00	6mth
Oppenheimer Money Management Ltd 66 Cannon St, EC4N 6AE. 01-236 1425				
Call Fnd	12.25	9.16	11.52	6-Mth
7-day Fund	12.31	9.20	13.57	6-Mth
Dollar	6.12	—	—	6-Mth
Money Mngt. Acct	12.00	—	—	3-Mth

Money Market Bank Accounts

	Gross	Net	Gr Equiv CAR	Int Cr
Adam & Co. plc 22 Charlotte Sq. Edinburgh, EH2 4DF 031-225 8484				
Full Service Chq Acc	12.25	8.75	11.09	Qtr
Aitken Hume 30 City Road, EC1Y 2AY. 01-638 6070				
Treasury Acc	12.375	9.25	11.87	Qtr
Mth. Inc. Chq.	12.25	9.16	13.90	Mth
Bank of Scotland 38 Threadneedle St, EC2P 2EH. 01-628 8060				
Cheque Acc	11.50	8.59	12.37	Mth
Barclays Prime Account PO Box 125, Northampton 0604 252891				
High Int. Cheque	12.00	8.875	13.29	Qtr
Britannia Investment Services Ltd. 29 Finsbury Circus, EC2M 5QL 01-588 2777				
Cater Allen	12.25	9.16	13.6444	Mth
Charterhouse Japhet plc 1 Paternoster Row, EC4M 7DH. 01-248 3999				
Sterling	12.25	9.16	11.09	Mth
U.S. Dollar	7.00	7.00	7.23	Mth
German Marks	4.75	4.75	4.85	Mth
Swiss francs	1.50	1.50	1.51	Mth
Japanese Yen	5.00	5.00	5.12	Mth
Citibank Savings St Martins Hse, Hammersmith Grove 01-748 9251				
Cheque Plus	—	10.00	14.85	Qtr
Co-operative Bank Cheque & Save 78-80 Cornhill EC3 01-626 6543.				
J. Henry Schroder Wagg & Co Ltd Enterprise House, Portsmouth 0705 827733				
Special Acc	12.10	9.04	11.70	Mth
Over £10,000	12.35	9.23	14.02	Mth
Western Trust & Savings Limited The Moneycentre, Plymouth PL1 5E 0752 24141				
High Int Chq Acc	12.69	9.48		

NOTES—Gross rate to those exempt from composite rate of tax. Net: actual rate after deduction of CRT. Gr Equiv CAR: Gross equivalent to basic rate taxpayers—compounded annual rate. Int Cr: frequency interest credited.

NOTES

Prices are in pence unless otherwise indicated and those designated $ with no prefix refer to U.S. dollars. Yields % (shown in last column) allow for all buying expenses. a Offered prices include all expenses. b Today's prices. c Yield based on offer price. d Estimated. g Today's opening price. h Distribution free of UK taxes. p Periodic premium insurance plans. s Single premium insurance. x Offered price includes all expenses except agent's commission. y Offered price includes all expenses if bought through managers. z Previous day's price. ¶ Guernsey gross. ‡ Suspended. ♦ Yield before Jersey tax. † Ex-subdivision. ‡‡ Only available to charitable bodies. ♦ Yield column shows annualised rates of NAV increase.

OPTIONS

3-month call rates

Industrials	p		p
Allied-Lyons	16	Midland Bk	30
BAT	32	NEI	8
BOC Grp.	25	Nat West Bk	60
BSR	16	P & O Dfd	36
BTR	52	Plessey	17
Babcock	14	Polly Peck	26
Barclays	48	Racal Elect	18
Beecham	32	RHM	11
Blue Circle	45	Rank Org Ord	32
Boots	13	Reed Intnl	50
Bowaters	20	Sears	8
Brit Aerospace	33	TI	20
Brit. Telecom	11	Tesco	20
Brown (J.)	3	Thorn EMI	35
Burton Ord	39	Trust Houses	23
Cadburys	14	Turner Newall	10
Comm Union	19	Unilever	65
Courtaulds	12½	Vickers	19
Debenhams	17½	**Property**	
Distillers	28	Brit Land	12
Dunlop	6	Cap Counties	18
FNFC	8½	Land Secs.	25
Gen Accident	45	MEPC	28
Gen Electric	17	Peachey	22
Glaxo	85	Samuel Props	14
Grand Met	25	**Oils**	
GUS 'A'	60	Brit. Oil & Min.	4
Guardian	60	Brit Petroleum	42
GKN	17	Burmah Oil	18
Hanson Tst.	17½	Charterhall	6
Hawker Sidd	38	Premier	5
Hse of Fraser	30	Shell	60
ICI	60	Tricentrol	18
"Imps"	18	Ultramar	19
Jaguar	28	**Mines**	
Ladbroke	24	Charter Cons.	18
Legal & Gen	50	Cons Gold	44
Lex Service	28	Lonrho	14
Lloyds Bank	45	Rio T Zinc	56
Lucas Inds	25		
Marks & Spencer	11		

A selection of Options traded is given on the London Stock Exchange Report Page.

COMMODITIES AND AGRICULTURE

World aluminium production up in May

By John Edwards, Commodities Editor

ALUMINIUM PRODUCTION in the non-Communist world rose in May, in spite of the heavy cuts in output by North American producers, according to latest figures released by the International Primary Aluminium Institute yesterday.

The Institute said that daily average production last month rose to 32,800 tonnes, up 100 tonnes from the April figure, but below the May 1984 rate of 34,500 tonnes. Total production in May was 1,018,000 tonnes compared with 980,000 tonnes in April.

Traders said the increase in production was "disappointing." However, there was little surprise since it is recognised that production cuts in North America and Europe have tended to be offset by increases in other parts of the world.

In fact aluminium futures on the London Metal Exchange gained ground yesterday reflecting the general upward trend in base metals as a result of the sharp fall in the value of sterling against the dollar.

Zinc was also marginally higher on the London market, although the result of the U.S. Mint buying tender was generally viewed as "bearish." The winning bids ranged between 39.92 to 41.21 cents a pound, compared with the lowest U.S. producer price of 44.50 cents a pound. Cominco of Canada yesterday cut its U.S. selling price for zinc by 3 cents to 44 cents a pound. Jersey Miniere Zinc announced a similar price reduction.

Lead values were boosted in late trading by a burst of speculative buying that pushed the three months quotation up by £8 to £306.5 a tonne.

Copper weakened in afternoon dealings following a downturn in early dealings on the New York market. The weak trend in New York was attributed to selling by speculators.

Surprise EEC move hits wheat futures

BY OUR COMMODITIES EDITOR

THE ANNOUNCEMENT by the European Commission that it does not intend to make any compensation payment for carrying forward end-season stocks from the current crop brought a sharp downturn in the July position of the UK grain futures market yesterday. It fell by £3.65 to a contract low of £111.95 a tonne following heavy selling pressure.

Traders said that the Commission's decision to reduce the payment for carrying over old crop stocks to the new season to nil, compared with £9.89 a tonne last year, took the market by surprise. Normally millers and recognised traders are given a payment on carrying over old crop stocks to the new season to compensate for the price gap between the end of May and the start of the new season on August 1.

This year, in view of the proposed reduction in the support prices for grain prices in the Community, there was expected to be a lower carry over payment than in the previous seasons. However the decision by the Commission to eliminate the payment altogether, although quite logical, was totally unexpected with traders expecting a minimum of between £8 and £12 a tonne.

One trader commented yesterday: "It makes commonsense, but who has ever associated commonsense with the Common Agricultural Policy."

The drop in futures prices yesterday was confined almost entirely to the July position covering old (1984/85) season crops. The new (1985/86) crop positions were hardly affected since the proposed cut in the Community intervention of 1.8 per cent announced by the Commission on Wednesday was in line with market expectations and had already been discounted.

Senate divided on cargo preference regulations

THE U.S. Senate stumbled yesterday in its drive to settle a dispute between agricultural and maritime interests over the "cargo preference" rule.

The rule requires half of all government-backed cargoes to be shipped on U.S. vessels. Agricultural groups have pushed for an exemption from the rule for all commercial and competitive export programmes operated by the U.S. Department of Agriculture because the requirement makes shipments under such programmes prohibitively expensive.

Settlement of the issue is considered vital if the U.S. is to proceed unhindered with competitive export initiatives like the proposed subsidised wheat sale to Algeria.

On Wednesday a Senate commerce committee ruled in favour of the maritime interests and refused to endorse a measure, already approved unanimously by the Senate agriculture committee, which would have provided the exemption.

The measure may now be brought to the Senate floor, where many senators, particularly those who have received campaign contributions from the maritime industry, are reluctant to cast a public vote on the issue.

The issue brings into conflict Senator Robert Dole of Kansas, the majority leader and for years a major spokesman for farm interests, and his wife Elizabeth, the secretary of transportation, who is fighting to protect the interests of the maritime industry.

Senator Dole has been sponsoring three weeks of talks between the two sides in an attempt to reach a settlement.

Record coffee production forecast

By Our Commodities Correspondent

WORLD GREEN coffee production will rise to a record 99.1m bags achieved in 1981-82, Reuter 1985-86 season, according to a preliminary forecast by the U.S. Department of Agriculture. This would be 7.2m bags (8 per cent) above 1984-85 output of 91.8m bags and 1 per cent over the previous record of 98.1m bags achieved in 1982-82, Reuter reported from Washington.

The Department also predicted that world sugar stocks at the end of the 1984-85 marketing year were expected to reach a record 43.5m tonnes, up 3.5m tonnes from 1983-84, leaving stocks more than 50 per cent above normal, world stock levels.

World sugar production in 1984-85 is predicted to reach 99.4m tonnes, compared with consumption of 95.9m tonnes. World output is expected to be maintained at 99.6m tonnes in 1985-86 in spite of the very low world market price levels.

The London daily price for raw sugar was cut yesterday by $6.50 to $8.50 a tonne reflecting the sharp decline, in values on the futures markets on Wednesday. Futures prices came under renewed pressure yesterday losing early gains after the market had opened on a slightly higher note. Continued speculative selling, mainly in New York, was blamed for the renewed decline.

Brazil citrus

WASHINGTON — The 1985 Brazilian citrus crop, forecast at a record 11.7m tonnes, will be 11 per cent higher than last year's harvest and 6 per cent above the previous record 1982 harvest, the U.S. Agriculture Department said.

In its weekly report on World Production and Trade, the department said Brazil's orange crop is forecast at 10.8m tonnes, 13 per cent above last season.

Reuter

Acrimony over iron ore pricing

Chris Benischke reports on this year's protracted contract wrangle between steel makers and their suppliers

IN STARK contrast to the 1984 iron ore pricing talks, which were completed in double quick time, the 1985 "mating season" between the major iron mines and steel mills has proved to be a protracted affair and is still some way from completion. Canadian suppliers again jumped the gun (traditionally, the tone is set by the Brazilian mines and West German steelmakers) by accepting unchanged prices in Europe in order to preserve market share. Other ore producers, however, hung on in the hope of achieving some increase following two years in which they were forced to concede reductions of up to 20 per cent.

After five months of talks, the acknowledged market leader on the mining side, Brazil's CVRD, managed to wring out of the Germans an increase of only 1.57 per cent for a single grade (fines) to 26.56 U.S. cents a tonne F unit fob, with all other ore products left unchanged. CVRD summed up so much talking for so little as a "dialogue of the deaf."

Some European mills were distinctly unhappy over any advance because of the major increases in iron-ore costs last year as a result of the rise in the value of the dollar. For the British Steel Corporation, the landed cost at the end of 1984 was up by about a fifth compared with the start of the year. This was on the top of a big rise in costs of another important raw material, ferrous scrap, again due largely to the dollar. The upshot of such wrangles in what is normally such a "gentlemanly" sector was that some of the other European buyers dug their heels in rather than sheepishly accept the CVRD price, which tends to become the benchmark, as the basis of their own contracts.

Meanwhile, the focus of interest has turned away from the European market to Japan, where Brazil has recently secured another token victory by settling at the same margin of increase as that achieved in Europe. Both Canadian and Indian mines took advantage of Japan's offer of increased contract tonnage in exchange for unchanged prices, but the big Australian mines—as dominant in Asia as Brazil is in Europe — are still holding out for an improvement in prices this year.

The annual price talks are growing more acrimonious each year and producers are exerting pressure for a fundamental change in the system. Some believe that prices should take account of spot market fluctuations, but so far there is little chance of persuading consumers to agree to such proposals. One argument put forward against such a plan is that there is insufficient tonnage traded over and above contract volumes to establish an acceptable spot market price.

On all sides there is dissatisfaction with the existing pricing mechanism for iron ore, as well as unease that contracts are negotiated in dollars. The effect of currency fluctuations has been to create strains in the relationship between the mines and the mills, and both sides are currently looking at the possibility of introducing a basket of negotiating currencies, while others including the European Commission favour Ecus (European currency units).

Leaving currency considerations aside, this year is particularly significant as buyers and sellers try to gauge the impact of the arrival on the scene of CVRD's huge Carajas project, just about to open up in the Amazon. This mine will be able to produce 35m tonnes a year by 1987, a massive influx on the world market already suffering from severe over-supply. It is not surprising that CVRD's rivals should take steps to re-assert their bargaining position in such a sensitive market.

At the biennial Metal Bulletin international iron ore symposium held in Rome earlier this year a number of speakers argued that world iron ore supply and demand could come into balance by the end of this decade or in the early 1990s, thus creating the need for additional mine capacity. Western Australia's Pilbara region is a major focus of development and two new projects currently in an advanced stage of negotiations involving China and Romania.

Without consumer backing, however, it is extremely hard in the current market climate to launch new projects. West African countries (Senegal, Guinea, and Gabon) also have ambitions to enter the export scene with promising projects but they all face an uphill battle. These countries' main benefit as far as the steel works are concerned is to provide an alternative source of iron ore to the major suppliers, and mills in the past have been willing to support such projects. However, the era is long gone when steelworks were so fearful of shortages that they were prepared to tie up large amounts of capital in mine ownership.

The iron ore mines increasingly perceive the steel industry's future as being on an improving trend. Even if there is little improvement in volume, the steel producers are felt to be benefiting from higher selling prices and the effects of restructuring. As steel companies start making profits again, their iron ore suppliers are likely to step up the pressure for better prices. Next year's "mating season" promises to be just as tough as this year's.

Chris Benischke is assistant editor of Metal Bulletin.

More aid urged for small farmers

BY RICHARD MOONEY

BRITAIN'S National Farmers' Union wants the Government to step up aid to small farmers.

According to the Ministry of Agriculture only half of the 186,000 farms in England and Wales are capable of providing a full-time living for one man and the union maintains that financial aid to enable the other half to remain viable would be money well spent because it would contribute towards preserving the British countryside and the rural way of life.

In a discussion paper published yesterday the NFU says: "We want to ensure that these farms can achieve an adequate family income, either from farming alone or from farming combined with other activities."

The paper, entitled "Safeguarding the Smaller Farm," outlines a proposed package for aiding the smaller farmer.

It calls for special capital gains tax relief and controls on land sales aimed at encouraging landowners to keep their estates in relatively small units.

Other proposals include favourable treatment for smaller dairy farmers under the EEC production quota scheme; direct payments to increase the benefits of existing support arrangements for smaller farmers; and new forms of direct payment for beef and sheep reared in smaller herds and flocks on permanent grass.

LONDON MARKETS

BASE METALS

LME prices supplied by Amalgamated Metal Trading

ALUMINIUM

	Unofficial close (p.m.) £ per tonne	+ or —	High/low
Cash	806-7	+12.25	795.5/795
3 months	827-8	+12.75	821/814

Official closing (am): Cash 793.5-4 (789.5-90.5): three months 814-.5 (801-.5): settlement 794 (790.5). Final Kerb Close: 825-6. Turnover: 15,525 tonnes.

COPPER

Higher grade	Unofficial close	+ or —	High/Low
Cash	1124-5	+9	1119.5/1115
Three months	1157-8	+9.25	1139/1131

Official closing (am): Cash 1118-0.5 (1118.5-7): three months 1131.5-32 (1130.5-1): settlement 1118.5 (1117.0). Final Kerb Close: 1137.5-8.

Cathodes			
Cash	1104-6	+6	1105-1105
Three months	1126-7	+8	

Official closing (am): Cash 1104-5 (1100.5-2.5): three months 1117-20 (1119-20): settlement 1105 (1102.5). Turnover: 22,800 tonnes. U.S. Producer prices 65.50/70 cents per pound.

LEAD

	Unofficial close (p.m.) £ per tonne	+ or —	High/low
Cash	306-7	+8.0	303/303
3 months	306-7	+8	307/307

Official closing (am): Cash 302.5-3 (297-.01): three months 303.5-4 (296.5-7): settlement 303 (297.5). Final Kerb Close 305.5-6. Turnover: 9,450 tonnes. U.S. Spot: 19/21 cents per pound.

NICKEL

	Unofficial close (p.m.) £ per tonne	+ or —	High/low
Cash	4340-50	+52.0	4318-4305
3 months	4295-300	+65	4350-4265

Official closing (am): Cash 4300-2 (4240-50): three months 4260-70 (4205-15): settlement 4302 (4250). Final Kerb Close: 4310-20. Turnover: 1,008 tonnes.

TIN

High grade	Unofficial close (p.m.) £ per tonne	+ or —	High/low for day
Cash	9680-90	+87.5	—
3 months	9470-80	+42.5	—

Official closing (am): Cash 9640-50 (9555-60): three months 9390-5 (9420-30): settlement 9650 (9560).

Standard			
Cash	9680-90	+87.5	9640-9640
3 months	9470-80	+42.0	9510-9380

Official closing (am): Cash 9640-50 (9550-2): three months 9390-1 (9420.5): settlement 9650 (9552). Final Kerb Close: 9475-85. Turnover: 3,870 tonnes. Straits tin $m29.60 kilo.

ZINC

	Unofficial close (p.m.) £ per tonne	+ or —	High/low
Cash	563-4	+3.5	568-567
3 months	562-3	+5	566/555

Official closing (am): Cash 567-.5 (561-2): three months 555.5-6 (559-.5): settlement 557.5 (562). Final Kerb Close: 565.5-6. Turnover: 13,900 tonnes. U.S. Prime Western: 44.50-47.75 cents per pound.

MAIN PRICE CHANGES

In tonnes unless otherwise stated.

METALS	June 20 1985	+ or —	Month ago
Aluminium	£1100	......	£1100
Free Mkt	$1080/090	......	$1145/175
Copper			
Cash h Grade	£1124.5	+9	£1203.5
3 mths	£1157.5	+9.25	£1285.75
Gold troy oz	$318.5	—6.75	$310.75
Lead Cash	£306.5	+8.5	£298
3 mths	£306.5	+8	£304.75
Nickel			
Free Mkt	250/280c	......	250/280c
Palladium oz	$99.00	—2.25	$100.50
Platinum oz	$270.50	—0.70	$271.85
Quicksilver†	$285/295	+6	$280/290
Silver troy oz	484.50p	—4.45	489.45p
3 mths	498.30p	—4.85	503.75p
Tin cash	£9685	+87.5	£9602.5
3 mths	£9470	+42.5	£9567.5
Tungsten	$13.74	—1.85	$79.03
Wolfram 22.04lb	$56/60		$68/71
Zinc	£563.0	+3.0	£643
3 mths	£569.5	+5	£650
Producers	$880	......	$850/860

OILS	June 20 1985	+ or —	Month ago
Coconut (Phil)	‡	......	$660
Palm Malayan	‡	......	$600
SEEDS			
Copra Phil	$570z	......	$395
Soyabean (U.S.)	$205w	—1	202
GRAINS			
Barley Fut. Sept.	£97.05	—0.25	£98.85
Maize	£148.50	......	£149.50
Wheat Fut Sept.	£97.90	—0.15	£119.80
No. 2 Hard Wint.	‡	......	‡
OTHERS			
Cocoa Ft. Sept.	£1735.5	+18	£1788
Coffee Ft. Sept.	£2058.5	+0.5	£2114.5
Cotton A Index	62.70c	......	64.65c
Gas Oil Aug.	$219	+0.5	$218
Rubber (kilo)	67p	......	63p
Sugar (raw)	$85.5vu	—6.5	$90
Wooltops 64s	457pkilo	......	477pkilo

‡ Unquoted. u Aug. v June-July. w Sept. y July. z July-Aug. † Per 76 lb flask. c Cents per pound.

INDICES

FINANCIAL TIMES

June 19	June 18	M'th ago	Year ago
281.72	283.60	284.91	303.07

(Base: July 1 1952 = 100)

REUTERS

June 20	June 19	M'th ago	Year ago
1767.8	1771.7	1836.6	1929.3

(Base: September 18 1931 = 100)

MOODY'S

May 14	May 13	M'th ago	Year ago
921.9	923.0	—	—

(Base: December 31 1931 = 100)

DOW JONES

Dow Jones	June 19	June 18	Month ago	Year ago
Spot	119.49	119.83	—	136.66
Fut.	120.57	121.76	—	135.54

(Base: December 31 1974 = 100)

GOLD

Gold fell $6¾ to $318¼-$318¾ on the London bullion market yesterday on selling out of New York following the higher than expected second quarter U.S. GNP flash estimate. The metal opened at $322½-$323, the highest level of the day, and was fixed at $322 in the morning and $318.10 in the afternoon. It touched a low of $317½-$318 after the GNP announcement.

GOLD BULLION (fine ounce) June 20

Close	$318¼-318¾	(£249-249½)
Opening	$322½-323	(£248½-249)
M'n'g fix	$322.00	(£248.927)
Aft'n'n fix	$318.10	(£249.784)

GOLD AND PLATINUM COINS

Kr'g'rnd	$326½-328¼	(£254½-255½)
½ Krug.	$168½-169½	(£131¼-132½)
¼ Krug.	$85¾-86½	(£67-67½)
1/10 Krug.	$34¾-35½	(£27-27½)
Mapleleaf	$328½-329	(£257-257½)
New Sov.	$75½-76¼	(£59-59½)
½ New Sov.	$35¼-45	(£d5½-36)
Old Sov.	$76½-78	(£59¾-61)
$20 Eagle	$450-490	(£352-383½)
Noble Plat	$282¼-285½	(£218-220½)

SILVER

Silver was fixed 4.45p an ounce lower for spot delivery on the London bullion market yesterday at 484.50p. U.S. cent equivalents of the fixing levels were: spot 628.9c, down 13.1c; three-month 639.65c, down 13.65c; six-month 651.7c, down 13.7c; and 12-month 678.15c, down 13.45c. The metal opened at 486½-489½p (631-634c) and closed at 482½-485½p (617-620c).

SILVER per troy	Bullion fixing price	+ or —	L.M.E. p.m. Unoffic'l	+ or —
Spot	484.50p	—4.45	482	—4
3 months	498.30p	—4.85	496.75p	—4.25
6 months	519.00p	—5.00	—	—
12 months	539.50p	—4.90	—	—

LME—Turnover: 69 (69) lots of 10,000 oz.

Three months high 499.5, low 497, final kerb 506.5-8.5.

FREIGHT FUTURES

The market continued easier, fuelled by reports of a drop in the Gulf/Continent rates. October futures fell to 904 by mid-afternoon and the market closed at the day's lows, reports Clarkson Wolff. The Baltic Freight Index was 911.0, down 7.

	Close	High/Low	Prev.
July	882/883	885/882	885/887
Oct.	904/906	906/904	909/908.5
Jan.	905/907	905	906/910
April	945/950	—	955/960
July	810/925	—	921/928
Oct.	970/980	—	970/980
Jan.	905/1090	—	965/1025
April	1060/1058	—	1020/1058

Turnover: 47 (78).

GRAINS

July wheat first traded £3.50 down after an EEC announcement of a nil carry over payment but rallied £1.45 before falling back to close at a contract low. New crops eased but made up losses on merchant and consumer buying to close at the day's highs, reports Muirpace.

Mnth	WHEAT Yesterd'ys close	+ or —	BARLEY Yesterdys close	+ or —
July	111.90	—3.65	—	—
Sept.	97.90	—0.10	97.00	—0.25
Nov.	101.90	—0.16	100.85	—0.25
Jan.	104.95	—0.10	104.35	—0.25
Mar.	108.25	—	107.54	—0.25
May	111.40	—0.05	110.25	—0.45

Business done—Wheat: July 113.45-1.95, Sept 98.00-7.75, Nov 101.20-1.00, Jan 104.95 only, Mar 105.25-8.05, May 111.40 only. Sales: 195 lots of 100 tonnes. Barley: Sept 97.15-7.00, Nov 100.85-0.80, Jan 104.60-4.35, Mar 107.70 only. May untraded. Sales: 33 lots of 100 tonnes.

LONDON GRAINS—Wheat: U.S. dark northern spring no 1 10 per cent July 140.25, Aug 137.25, Sept 138.50, Oct 139.75 sellers transhipment east coast. U.S. no 2 soft red winter July 124.25, Aug 128.15, Sept 128, Oct 130 sellers. EC harvest 118 quoted. English feed fob June 5/July 118.50 paid east coast. Maize: U.S. no 3 yellow/French transhipment east coast June 146.50 sellers. Rest unquoted.

HGCA—Locational ex-farm spot prices. Feed barley: S. East 111.80, S. West 112.40, N. West 112.10. The UK monetary coefficient for the week beginning Monday Jun 24 will remain unchanged.

RUBBER

The London physical market closed about unchanged, prices were marked up in line with lower sterling and closed quiet, reports Lewis and Peat. Closing prices (buyers) spot 67.00p (same): July 68.00p (same): August 67.75p (same). The Kuala Lumpur fob price for RSS No. 1 was — (200.0) cents a kg and for SMR 20 was — (176.0).

COFFEE

After opening lower, commission house buying prompted a rally of £8-£10, reports Drexel Burnham Lambert. A decline in sterling produced a sharp rise during the re-opening call before trade selling and profit-taking created a retracement of £20.

COFFEE	Yesterd'ys Close	+ or —	Business Done
July	2006-08	+3.5	2030-95
Sept.	2057-50	+9.5	2080-45
Nov.	2097-00	+1.5	2122-22
Jan.	2133-38	+2.5	2154-29
March	2105-39	+6.0	2152-26
May	2140-45	—9.5	—
July	2130-70	+0.0	2140

Sales: 2,375 (3,218) lots of 5 tonnes.

ICO indicator prices (U.S. cents per pound) for June 19: Comp. daily 1979 131.85 (132.18); 15-day average 132.05 (132.02).

COCOA

Futures opened steadier and traded quietly throughout the day. Although some limited consumer offtake was apparent physicals attracted little interest and producers declined to meet the market at current levels, reports Gill and Duffus.

COCOA	Yesterday's Close £ per tonne	+ or —	Business Done
July	1781-1759	+13.5	1786-1775
Sept.	1736-1736	+18.0	1741-1720
Dec.	1705-1707	+17.5	1709-1696
Mar.	1718-1717	+13.5	1720-1709
May	1700-1731	+19.5	1734-1724
July	1736-1741	+11.0	1744-1745
Sept.	1747-1748	+11.0	1748

Sales: 2,713 (3,498) lots of 10 tonnes.

ICCO indicator prices (U.S. cents per pound). Daily price for June 20: 94.15 (95.13); five-day average for June 21: 94.62 (94.61).

SUGAR

LONDON DAILY PRICE—Raw sugar $85.50 ($86.00), down $6.50 (down £4.00) a tonne for June-July-August delivery. White sugar $123.50, down $9.00.

The market remained under pressure after Wednesday's sell-off, reports C. Czarnikow.

No. 6 Contract	Yest'day's close	Previous close	Business done
	$ per tonne		
Aug	84.4-84.8	86.8-87.0	88.8-84.0
Oct	85.4-85.8	87.8-88.0	89.2-85.0
Dec	89.2-89.8	92.6-93.0	94.2-89.0
Mar	99.4-99.8	103.4-104.5	104.8-99.0
May	103.8-104.0	107.4-108.0	108.8-104.6
Aug	108.2-108.8	113.0-115.0	111.0-110.0
Oct	112.2-115.6	117.0-119.8	115.2-115.8

Sales: 3,091 (1,791) lots of 50 tonnes.

Tate and Lyle delivery price for granulated basis sugar was £167.00 (£171.50) a tonne for export.

International Sugar Agreement—(U.S. cents per pound fob and stowed Caribbean ports.) Prices for June 19: Daily price 2.79 (2.95): 15-day average 2.81 (2.81).

SOYABEAN MEAL

The market opened 50p higher on weaker sterling, reports T. G. Roddick. Prices remained steady throughout the day.

	Yesterday close £ per tonne	+ or —	Business Done
June	113.0-123.0	+0.50	—
August	115.3-115.8	+1.95	—
October	116.2-116.5	+1.10	—
Dec.	121.5-121.7	+0.65	122.0-118.0
Feb.	127.3-128.8	+1.15	127.5-126.7
Apr.	128.0-128.9	+0.75	128.0-128.5
June	126.5-128.5	+0.60	—

Sales: 348 (136) lots of 20 tonnes.

OIL

Spot crude prices were stable but the volume of trading is almost negligible. There was inquiry for prompt African cargoes from European refiners. North Sea cargoes for early loading were scarce. Nymex opened 4c up for July but traded 3c down at 1 pm EST. In the petroleum products market gas/oil prices continued to firm in very active conditions. Prices rose as prompt short-covering demand chased limited supply. Speculative trading, attracted by the price rises, further strengthened this movement—Petroleum Argus, London.

SPOT PRICES

CRUDE OIL—FOB ($ per barrel)—July	Latest	Change + or —
Arab Light	26.70-26.70	—
Arab Heavy	24.85-24.95	—
Dubai	26.20-26.25	—
Brent Blend	26.25-26.30	+0.075
W.T.I. (1pm est)	27.10-27.15	—0.20
Forcados (Nigeria)	26.15-26.25*	—
Urals (cif NWE)	26.25-26.40*	—

PRODUCTS—North West Europe Prompt delivery cif ($ per tonne)		
Premium gasoline	281-288	+1
Gas Oil	220-221	+9
Heavy fuel oil	126-128	—

* June

Petroleum Argus estimates

GAS OIL FUTURES

Month	Yest'day's Close $ U.S. per tonne	+ or —	Business Done
July	215.90	+9.80	217.00-15.50
Aug	219.00	+9.50	213.00-11.75
Sep	211.25	+9.75	212.50-11.00
Oct	215.25	+1.00	214.50-12.25
Nov	215.00	+9.75	214.50-12.75
Dec	216.00	+0.25	216.00-17.25
Jan	217.00	—	—

Turnover: 1,030 (1,008) lots of 100 tonnes.

POTATOES

During a generally quiet day light buying interest lifted values which closed at or near the day's highs, reports Coley and Harper.

Month	Yesterday's close £ per tonne	Previous close	Business Done
Nov.	58.60	57.90	58.50-58.20
Feb.	68.00	66.50	—
Apr.	77.60	76.80	78.00-76.20
May	83.50	82.00	83.70-83.50

Sales: 157 (248) lots of 40 tonnes.

PIGMEAT

Thin trading reflected quieter physicals, reports CCST Commodities.

Month	Yesterdays close p. per kilo (deadweight)	Previous close	Business done
Aug.	103.00	100.90	104.00-105.00
Oct.	107.00	107.50	—
Nov.	107.70	107.90	107.70-107.50
Feb.	99.50	99.70	—
April	99.65	99.90	—
June	99.00	99.20	99.00

Sales: 15 (60) lots of 50 carcases, 3,250 kg.

MEAT

SMITHFIELD—Pence per pound. Beef—Scotch killed sides 77.0-81.5: English hindquarters 93.0-97.0, forequarters 52.0-54.0; Ulster forequarters 49.0-54.0; Eire hindquarters 90.0-95.0. Veal—Dutch hinds and ends 136.0-140.0. Lamb—English small 76.0-82.0, medium 76.0-80.0, heavy 74.0-76.0: Imported: New Zealand PL 66.5-67.0, PX 65.0-66.0. Pork—English under 100lb 50.0-58.6, 100-120lb 51.0-56.5, 120-160lb 44.0-48.0.

MEAT COMMISSION—Average fatstock prices at representative markets. GB—Cattle 101.33p per kg lw (+0.98). GB—Sheep 168.69p per kg est dcw (−22.69). GB—Pigs 85.01p per kg lw (+1.56).

COTTON

LIVERPOOL—No spot or shipment sales were recorded. Ordering was restricted and the offtake was confined to minimum quantities. Slow trading persisted in certain specialist growths.

U.S. MARKETS

PRECIOUS METALS declined sharply as key government reports on prices continued to indicate a lower level of inflation, reports Heinold Commodities. Copper and aluminium lost ground in sympathy with the precious metals along with a firming in interest rates. Sugar was mixed with the deferred positions remaining under pressure, reflecting prospects for a burdensome supply demand situation in 1985-86. Cocoa was generally steady on concern over potential tightness in nearby supplies. Coffee weakened in response to large delivery notices. Cotton traded mixed with light trade and mill pricing based on new crop loan rates providing support to the new crop. Maize and soyabeans drifted lower in response to a favourable weather outlook while wheat showed independent support on reports of low yields and poor quality on the early harvest. Heating oil benefitted from unwinding of seasonal gasoline/heating oil spreads.

NEW YORK

ALUMINIUM 40,000 lb. cents/lb

	Close	High	Low	Prev
June	44.65	—	—	45.30
July	44.75	40.05	44.50	45.40
August	45.05	—	—	45.70
Sept	45.40	45.95	45.25	46.05
Dec	46.40	46.50	46.20	47.00
Jan	46.70	—	—	47.30
March	47.40	—	—	48.00
May	48.05	—	—	48.65
July	48.70	—	—	49.30
Sept	49.35	—	—	49.95

COCOA 10 tonnes, $/tonnes

	Close	High	Low	Prev
July	2036	2043	2023	2040
Sept	2022	2026	1997	2018
Dec	1991	1995	1970	1987
March	2002	2002	1982	1985
May	2021	2005	2005	2003
July	2036	2036	2020	2020

COFFEE "C" 27,000 lb, cents/lb

	Latest	High	Low	Prev
July	141.70	143.50	141.45	144.31
Sept	144.25	145.70	143.60	146.18
Dec	145.40	146.70	145.10	147.30
March	144.95	146.00	144.50	147.01
May	144.30	146.26	143.75	146.00
July	143.75	—	—	145.25

COPPER 25,000 lb, cents/lb

	Close	High	Low	Prev
June	60.20	60.00	60.00	61.00
July	60.30	60.50	59.90	61.10
August	60.75	—	—	61.55
Sept	61.20	61.35	60.65	61.95
Dec	62.25	62.35	61.75	63.00
Jan	62.50	62.65	62.65	63.25
March	62.95	62.90	62.45	63.68
May	63.35	63.00	63.00	64.05
July	63.80	63.90	63.45	64.45
Sept	64.25	63.95	63.90	64.90

SPOT PRICES—Chicago loose lard 19.00 (18.00) cents per pound. New York tin 562.0-575.0 (567.0-576.0) cents per pound. Handy and Harman silver bullion 620.0 (636.0) cents per troy ounce.

COTTON 50,000 lb, cents/lb

	Close	High	Low	Prev
July	61.88	62.25	61.56	62.02
Oct	61.15	61.22	60.60	60.85
Dec	61.39	61.40	60.77	61.02
March	62.28	62.35	61.82	62.00
May	62.53	62.65	62.08	62.20
July	62.63	62.70	62.25	62.32
Oct	59.16	59.00	59.00	59.05
Dec	58.58	58.65	58.35	58.30

CRUDE OIL (LIGHT) 42,000 U.S. gallons, $/barrels

	Latest	High	Low	Prev
July	27.31	27.40	27.19	27.30
August	26.67	26.72	26.47	26.58
Sept	26.03	26.09	25.67	25.97
Oct	25.60	25.65	25.47	25.55
Nov	25.10	25.25	25.08	25.21
Dec	24.87	24.92	24.78	24.80
Jan	24.59	24.62	24.55	24.62
Feb	24.41	24.42	24.35	24.40
March	24.30	24.27	24.25	24.26

GOLD 100 troy oz, $/troy oz

	Latest	High	Low	Prev
June	313.9	318.0	310.0	322.5
July	321.9	—	—	323.0
August	316.0	322.0	314.0	324.8
Oct	319.8	328.5	318.0	328.3
Dec	323.0	330.7	321.5	332.2
Feb	328.5	334.0	325.7	336.2
April	338.3	—	—	340.3
June	335.5	335.0	335.5	344.8
August	344.5	344.5	344.5	349.7
Oct	346.0	346.0	346.0	354.7
Dec	357.7	—	—	359.7
Feb	362.8	—	—	364.8
April	361.2	—	—	370.1

HEATING OIL 42,000 U.S. gallons, cents/U.S. gallons

	Latest	High	Low	Prev
July	68.95	69.15	68.25	68.34
August	68.50	68.70	67.65	67.78
Sept	68.55	68.65	67.75	67.76
Oct	68.30	68.30	68.30	68.36
Nov	69.85	70.00	69.00	69.26
Dec	70.40	70.75	69.75	69.50
Jan	70.50	71.00	70.00	70.40

ORANGE JUICE 15,000 lb, cents/lb

	Latest	High	Low	Prev
July	141.00	141.50	139.50	142.35
Sept	136.20	137.00	134.80	137.50
Nov	134.00	135.25	132.70	134.50
Jan	132.00	134.25	132.00	134.25
March	133.50	136.00	132.00	135.00
May	136.00	—	—	135.10
July	135.00	—	—	135.10
Sept	135.50	—	—	135.10
Nov	135.50	—	—	136.10

PLATINUM 50 troy oz, $/troy oz

	Latest	High	Low	Prev
June	—	—	—	273.2
July	264.2	272.5	263.5	274.1
August	—	—	—	276.4
Oct	268.6	276.5	267.5	278.5
Jan	270.5	281.5	270.5	283.5
April	278.5	286.0	278.5	288.7
July	294.0	—	—	294.8

SILVER 5,000 troy oz, cents/troy oz

	Latest	High	Low	Prev
June	626.8	—	—	631.3
July	613.0	630.0	610.0	632.5
August	631.5	—	—	638.0
Sept	621.0	638.0	618.5	640.4
Dec	631.0	650.0	630.0	652.2
Jan	652.0	—	—	656.5
March	649.0	662.0	645.0	664.5
May	664.0	668.0	664.0	673.3
July	665.0	680.0	665.0	682.0
Sept	680.0	690.0	680.0	692.5

SUGAR WORLD "11" 112,000 lb, cents/lb

	Close	High	Low	Prev
July	2.70	2.80	2.62	2.71
Sept	2.71	2.90	2.68	2.82
Oct	2.79	2.90	2.74	2.84
Jan	3.05	3.20	3.04	3.10
March	3.27	3.61	3.34	3.57
May	3.68	3.80	3.66	3.78
July	3.91	4.03	3.79	4.00
Sept	3.58	—	—	4.19
Oct	4.19	4.28	4.05	4.27

CHICAGO

LIVE CATTLE 40,000 lb, cents/lb

	Close	High	Low	Prev
June	56.80	58.50	55.80	56.20
August	59.37	60.70	59.37	60.87
Oct	60.60	61.85	60.56	62.12
Dec	62.07	63.20	61.95	63.30
Feb	62.90	63.95	62.70	64.20
April	64.20	64.90	63.80	65.10
June	64.30	65.00	64.25	65.50

LIVE HOGS 30,000 lb, cents/lb

	Close	High	Low	Prev
June	49.35	50.10	48.75	49.35
July	50.15	51.22	49.90	50.97
August	49.00	50.50	48.80	50.30
Oct	46.05	47.27	45.67	47.10
Dec	47.75	48.95	47.32	48.77
Feb	48.80	49.95	48.77	49.87
April	45.77	46.57	40.60	46.65
June	40.20	40.00	48.05	48.95
July	48.90	48.90	40.90	49.45

MAIZE 5,000 bu min, cents/56-lb bushel

	Close	High	Low	Prev
July	274.0	276.2	274.4	277.4
Sept	258.4	258.0	256.4	258.4
Dec	251.0	253.2	250.0	252.4
March	260.2	262.4	260.2	261.5
May	263.4	265.0	263.2	266.0
July	263.2	265.0	263.0	264.0
Sept	248.0	249.0	247.0	248.0

PORK BELLIES 38,000 lb, cents/lb

	Close	High	Low	Prev
July	66.65	68.75	66.30	68.20
August	66.10	68.15	69.70	67.67
Feb	73.55	74.95	72.90	74.67
March	73.60	74.72	72.70	74.65
May	73.65	73.95	73.40	75.20
July	73.72	73.72	73.40	74.95

SOYABEANS 5,000 bu min, cents/60-lb bushel

	Close	High	Low	Prev
July	571.4	578.0	570.0	579.4
August	566.2	569.0	564.4	571.2
Sept	559.0	561.0	557.4	563.0
Nov	561.4	565.0	559.0	565.6
Jan	571.4	575.0	569.0	575.0
March	581.4	585.0	578.4	585.0
May	589.4	592.4	587.4	593.0
July	596.0	598.0	593.4	599.0

SOYABEAN MEAL 100 tons, $/ton

	Close	High	Low	Prev
July	122.2	122.9	121.2	123.1
August	124.5	125.9	123.7	125.7
Sept	127.2	127.5	126.5	128.3
Oct	129.6	129.8	128.8	130.8
Dec	134.5	135.0	133.8	135.5
Jan	136.5	137.7	136.5	137.0
March	141.5	142.0	140.5	142.0
May	145.1	145.0	145.0	146.1
July	150.0	150.0	149.0	149.3

SOYABEAN OIL 60,000 lb, cents/lb

	Close	High	Low	Prev
July	28.43	28.85	29.36	28.90
August	28.43	28.67	28.40	28.63
Sept	27.57	27.85	27.51	27.89
Oct	26.60	27.00	26.60	26.95
Dec	26.85	28.20	25.90	26.18
Jan	26.45	25.83	26.46	25.78
March	25.15	25.60	25.15	25.45
May	25.00	25.20	24.90	25.05
July	24.72	—	—	24.65
August	24.38	—	—	24.40

WHEAT 5,000 bu min, cents/60-lb bushel

	Close	High	Low	Prev
July	329.4	330.0	326.4	326.6
Sept	330.9	331.0	326.6	327.9
Dec	336.9	337.0	332.2	333.2
March	335.4	335.6	332.2	332.8
May	323.9	323.6	322.2	322.4
July	305.0	305.2	302.4	304.0

OTHER MARKETS

ROTTERDAM

WHEAT—(U.S. $ per tonne): U.S. two soft red winter June 140, July 143, Aug 145, Sept 147, Oct 149 sellers. U.S. two northern spring 14 per cent protein spot 177, July 165, Aug 160, Sept 160, Oct 164.50, Nov 166, Dec 168 sellers. U.S. northern spring 15 per cent protein July 176, Aug 171, Sept 171, Oct 175.50, Nov 177.50 sellers. U.S. three hard amber durum June 173, July 170, Aug 167, Sept 161, Oct 166, Nov 171 sellers. Canadian one western amber durum June 178, June/July 179, July 179, Aug 178, Sept 174 sellers.

MAIZE—(U.S. $ per tonne): U.S. three yellow spot 132, afloat 129, June 128.75, July 126, Aug 126.25, Sept 124, Oct/Dec 122, Jan/March 125.50 sellers. Argentine Plate afloat 131, June 133, July 134, Aug 135 sellers.

PARIS

SUGAR—(FFr per tonne): Aug 1148/1150, Oct 1156/1158, Dec 1168/1170, Mar 1216/1220, May 1255/1265, Aug 1320/1330.

COCOA—(FFr per 100 kg): July 2090-2100, Sept 2053/2055, Dec 2010-2015, Mar 2021.50-2029, May 2030 bid, July 2035 bid, Sept 2040 bid.

WOOL FUTURES

LONDON NEW ZEALAND CROSSBREDS—Close (in order: buyer, seller, business). New Zealand cents per kg. Aug 528, 533, nil; Oct 533, 534, 535-535; Dec 533, 534, 534; Jan 534, 535, 535; Mar 543, 544, 545-544; May 549, 550, 551-550; Aug 564, 565, 564; Oct 564, 566, nil; Dec 584, 586, 68. Sales: 73.

SYDNEY GREASY WOOL—Close (in order: buyer, seller, business). Australian cents per kg. July 645.0, 649.0, 648.0; Oct 627.9, 632.0, 634.0; Dec 628.0, 632.0, 634.0; Mar 634.0, 639.0, 638.0; May 639.0, 655.0, nil; July 640.0, 655.0, nil; Oct 618.0, 645.0, nil; Dec 620.0, 655.0, nil. Sales: 15.

NFU Fund

The NFU has set up a company to take over the "Send a tonne to Africa" campaign through which British farmers have contributed more than £2m over the past year to famine relief in Ethiopia and neighbouring countries.

CURRENCIES, MONEY and CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar up after GNP figure

The mood of the foreign exchanges changed completely yesterday afternoon, as the market became much less convinced that the Federal Reserve will soon cut its discount rate to stimulate U.S. economic growth. The flash estimate of 3.1 per cent growth in gross national product in the second quarter, compared with earlier forecasts ranging between 1 and 2.5 per cent, led to sudden demand for the dollar, although this was tempered by the downward revision to 0.3 per cent from 0.7 per cent in the first quarter GNP figure. There was evidence of some covering of short positions ahead of the GNP announcement on speculation that the general level of forecasts might be pessimistic, while the rise of only 0.2 per cent in U.S. May consumer prices was also considered encouraging for the economy. The rise to 7½ per cent in the New York Federal funds rate, from levels of around 6½ per cent earlier this week, also dented hopes that the Federal Reserve will move quickly on the discount rate.

The dollar rose to DM 3.0730 from DM 3.02; FFr 9.3750 from FFr 9.21; SwFr 2.5725 from SwFr 2.5290; and Y248.30 from Y247.45.

On Bank of England figures the dollar's index advanced to 145.1 from 143.6.

STERLING—Trading range against the dollar in 1985 is 1.3070 to 1.0525. May average 1.2517. Exchange rate index fell 1.2 to 79.8. It opened at 80.4 and was steady at 80.5 from 10 am to 1 pm, but then fell in the afternoon on the U.S. GNP news, touching a low of 79.6 at 3 pm.

Sterling gave up all of this week's gains against the dollar yesterday afternoon, after the GNP announcement, losing 2.90 cents to $1.2775-1.2785. During most of the week the pound had been the major beneficiary from a move out of the dollar, on the attraction of high London interest rates, and the covering of short dollar positions in the afternoon had a particularly adverse effect on sterling which also fell to DM 3.93 from DM 3.9450; FFr 11.9650 from FFr 12.0350; SwFr 3.2825 from SwFr 3.31; and Y317.50 from Y323.

D-MARK — Trading range against the dollar in 1985 is 3.4510 to 2.9730. May average 3.1024. Exchange rate index 121.7 against 120.5 six months ago.

The D-mark weakened sharply against the dollar after lunch, with the U.S. currency closing in Frankfurt at DM 3.0835 from DM 3.01925 on Wednesday. The higher than expected second quarter U.S. GNP figure prompted covering of short positions, although the dollar had shown a firmer trend in quiet morning trading on suspicions the GNP figure might be above recent forecasts. The Bundesbank did not intervene in Frankfurt when the dollar was fixed at DM3.0365 compared with DM 3.0048 previously. There was little, if any reaction, to indications the German central bank is encouraging an easing of domestic interest rates by cutting its three-day Treasury bill rate. As expected the discount and Lombard rates were unchanged at yesterday's Bundesbank council meeting.

STERLING INDEX

	June 20	Previous
8.30 am	80.4	81.2
9.00 am	80.4	81.1
10.00 am	80.5	80.9
11.00 am	80.5	81.0
Noon	80.5	80.9
1.00 pm	80.5	80.9
2.00 pm	80.1	80.7
3.00 pm	79.6	80.6
4.00 pm	79.8	81.0

£ IN NEW YORK

	June 20	Prev. close
£ Spot	$1.2740-1.2760	$1.3050-1.3040
1 month	0.55-0.53 pm	0.56-0.54 pm
3 months	1.50-1.46 pm	1.54-1.50 pm
12 months	4.18-4.03 pm	4.48-4.33 pm

Forward premiums and discounts apply to the U.S. dollar

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu June 20	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian franc ...	44.9008	45.2743	+0.83	+6.93	±1.5471
Danish krone ...	8.14104	8.07125	−0.86	−0.78	±1.6412
German D-mark.	2.24184	2.24526	+0.15	+6.25	±1.1475
French franc......	6.87456	6.84838	−0.38	−0.28	±1.3689
Dutch guilder ...	2.52595	2.53214	+6.25	+6.36	±1.5171
Irish punt.........	0.72569	0.717290	−1.13	−1.06	±1.6673
Italian lira	1403.49	1434.07	+2.18	+2.13	±4.0410

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

POUND SPOT—FORWARD AGAINST POUND

June 20	Day's spread	Close	One month	% p.a.	Three months	% p.a.
U.S.	1.2690-1.2990	1.2775-1.2785	0.58-0.53c pm	5.12	1.50-1.45pm	4.62
Canada	1.7400-1.7590	1.7425-1.7465	0.43-0.35c pm	2.68	1.21-1.08pm	2.63
Nethlnd.	4.41-4.45¼	4.43-4.44	2¼-1⅞c pm	3.58	6⅞-5⅞pm	5.36
Belgium	78.77-79.55	79.05-79.15	28-23ore pm	2.87	73-64pm	2.46
Denmark	14.05½-14.17¾	14.05½-14.06½	3-2ore pm	2.13	8½-7½pm	2.17
Ireland	1.2525-1.2595	1.2530-1.2540	0.14-0.03p pm	0.81	0.31-0.09pm	5.64
W. Ger.	3.91-3.94½	3.92½-3.93½	2⅛-2⅞pf pm	5.87	6½-6½pm	8.42
Portugal	213.10-225.60	212.75-222.18	160-400c dis	−17.72	510-1460dis	−18.00
Spain	223.50-224.85	223.95-224.35	35-45c dis	−2.67	180-220dis	−3.55
Italy	2,491-2,521	2,507½-2,508½	par-4 lire dis	−5.59	9-13dis	−1.75
Norway	11.23¾-11.36¼	11.25-11.26	[illegible]	−5.07	[illegible]	−0.47
France	11.92-12.03	11.96-11.97	2½-1½c pm	2.07	5½-5⅛pm	1.76
Sweden	11.24½-11.38½	11.28½-11.29½	3¼-4½ore dis	−4.32	11½-12½dis	4.30
Japan	315½-321½	317-318	1.72-1.52y pm	3.91	4.7-4.43pm	5.30
Austria	27.30-27.73	27.56-27.63	16-12½gro pm	3.93	37½-33½pm	5.12
Switz.	3.26½-3.29½	3.27½-3.28½	2½-1⅝c pm	7.32	5½-5⅛pm	6.78

Belgian rate is for convertible francs. Financial franc 80.20-82.30. Six-month forward dollar 2.60-2.55c pm. 12-month 4.20-4.05c pm.

DOLLAR SPOT—FORWARD AGAINST DOLLAR

June 20	Day's spread	Close	One month	% p.a.	Three months	% p.a.
[illegible]						

† UK and Ireland are quoted in U.S. currency. Forward premiums and discounts apply to the U.S. dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 82.20-82.30.

OTHER CURRENCIES

June 20	£	$		£ Note Rates
[illegible]				

* Selling rate.

CURRENCY MOVEMENTS

June 20	Bank of England Index	Morgan Guaranty Changes %
Sterling	79.8	−6.8
U.S. dollar	145.1	+30.5
Canadian dollar	92.0	−8.2
Austrian schilling	111.2	+3.3
Belgian franc	89.1	−11.1
Danish Kroner	77.5	−8.1
Deutsche mark	121.7	+0.0
Swiss franc	140.0	+8.1
Guilder	112.3	+3.1
French franc	64.6	−15.5
Lira	46.0	−17.4
Yen	156.5	+12.6

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (base average 1975=100).

CURRENCY RATES

June 20	Bank rate %	Special Drawing Rights	European Currency Unit
[illegible]			

* CS/SDR rate for June 19: 1.37116

EXCHANGE CROSS RATES

June 20	Pound Sterling	U.S. Dollar	Deutschem'k	J'panese Yen	French Franc	Swiss Franc	Dutch Guild	Italian Lira	Canada Dollar	Belgian Franc
Pound Sterling	1.	1.278	3.930	317.0	11.97	3.283	4.435	2508.	1.745	79.10
U.S. Dollar	0.782	1.	3.073	248.3	9.375	2.573	3.468	1963.	1.365	61.85
Deutschemark	0.254	0.325	1.	80.79	3.045	0.835	1.128	638.2	0.444	20.13
Japanese Yen 1,000	3.150	4.025	12.32	1000.	37.69	10.34	13.97	7899.	5.494	249.1
French Franc 10	0.836	1.068	3.285	265.4	10.	2.743	3.707	2096.	1.458	66.11
Swiss Franc	0.305	0.389	1.197	96.73	3.640	1.	1.351	764.1	0.531	24.10
Dutch Guilder	0.225	0.288	0.886	71.59	2.696	0.740	1.	565.5	0.393	17.84
Italian Lira 1,000	0.399	0.510	1.567	126.2	4.771	1.309	1.768	1000.	0.696	31.54
Canadian Dollar	0.573	0.733	2.253	182.0	6.852	1.880	2.542	1432.	1.	45.34
Belgian Franc 100	1.264	1.616	4.968	401.4	15.13	4.150	5.607	3171.	2.205	100.

EURO-CURRENCY INTEREST RATES (Market closing rates)

June 20	Sterling	U.S. Dollar	Canadian Dollar	D-mark	Swiss Franc	D-mark	French Franc	Italian Lira	Belgian Franc Conv.	Belgian Franc Fin.	Yen	Danish Krone
Short-term	[illegible]											
7 days' notice	12⅜-13	7⅝-7⅞	5¼-2⅛	5¾-7	14¾-15¼	5⅞-5⅞	15⅛-10¼	13-14⅛	8½-8¾	8½-8¾	6⅞-6⅝	2⅞-10⅝
Month	12⅝-12¾	7⅞-7⅞	5½-9⅞	5⅞-6⅞	5¼-5⅝	5½-5⅝	10¼-10⅝	15¾-14¼	8⅝-8⅞	8⅝-8⅞	6¼-6⅞	5⅝-15⅛
Three months	12⅞-12½	7⅞-7⅞	2⅞-5⅞	0⅞-6⅞	5⅞-5⅞	5⅞-5⅞	10⅝-10⅛	13¾-14¼	8⅝-8⅞	8⅝-8⅞	6¼-6⅞	9⅛-10
Six months	12⅛-12⅛	7¾-7⅞	2¼-8⅞	5⅛-5⅝	6⅛-5¼	5⅛-5⅝	16⅞-15⅞	13¾-14⅛	8¾-5	8⅝-8⅞	2¼-6⅞	2¼-9¾
One year	11⅞-18	6⅛-2¼	5⅛-5¾	5½-6⅝	5⅛-5¼	5⅝-5¾	10½-11⅛	14⅛-14⅝	9-8¼	5-9¼	5⅞-5⅝	2¼-2¾

Asian $ (closing rates in Singapore): Short-term 6⅞-7 per cent; seven days 7⅛-7⅞ per cent; one month 7⅞-7⅞ per cent; three months 7⅞-7⅞ per cent; six months 7⅞-7⅞ per cent; one year 7⅞-7⅞ per cent. Long-term Eurodollars: two years 8⅞-9⅞ per cent; three years 9⅞-9⅞ per cent; four years 9⅞-10 per cent; five years 9⅞-10⅞ per cent nominal. Short-term rates are call for U.S. dollars and Japanese yen; others two days' notice.

MONEY MARKETS

U.S. data sets back London rate hopes

Rates were firmer on the London money markets yesterday, with discount houses becoming more willing sellers of paper in the afternoon, following a higher than expected U.S. GNP figure, and a firmer Federal funds rate in New York. This may have set back the prospect of any early cut in bank base rates. Three-month interbank rose to 12⅝-12¾ per cent at the close from 12⅝-12⅞ per cent, and discount houses buying rates for eligible bank bills to 12 per cent from 11⅞-11⅞ per cent.

The Bank of England forecast a market shortage of £950m initially, but changed this to £900m, and gave total assistance of £1,050m.

An early round of help was offered and at that time the authorities bought £54m bills outright, through £18m bank bills in band 1 (up to 14 days maturity) at 12⅜ per cent; £14m bank bills in band 2 (15-33 days) at 12⅜ per cent; and £22m bank bills in band 3 (34-63 days) at 12⅜ per cent.

Additional assistance of £244m was provided before lunch when the Bank of England bought £19m bank bills in band 1 at 12⅜ per cent; £220m bank bills in band 2 at 12⅜ per cent; £2m bank bills in band 3 at 12⅜ per cent; and £3m bank bills in band 4 (63-91 days) at 12 per cent.

After lunch another £717m bills were purchased, by way of £142m bank bills in band 1 at 12⅜ per cent; £255m bank bills in band 2 at 12⅜ per cent; £4m Treasury bills in band 3 at 12⅜ per cent; £45m local authority bills in band 3 at 12⅜ per cent; and £271m bank bills in band 3 at 12⅜ per cent. Late assistance of £35m was also provided.

Bills maturing in official hands, repayment of late assistance and a take-up of Treasury bills drained £573m, with Exchequer transactions absorbing £335m, and bank balances below target another £80m.

In Frankfurt expectations of a general lowering of world interest rates, as U.S. rates fall, was reflected in the minimum rate of 5.1 per cent quoted by the German Bundesbank on a 28-day securities repurchase agreement. The result of the tender will be made known today, but the local money market anticipates full replacement of the DM 5.7bn flowing out of the market on Monday when an earlier agreement expires. A rate equal to the earlier agreement of 5.4 per cent had been expected.

UK clearing banks base lending rate 12½ per cent since June 12

MONEY RATES

June 20	Frankfurt	Paris	Zurich	Amst'dam	Tokyo	Milan	Brussels	Dublin
Overnight	5.60-5.65	10⅛	7⅛-1⅛	5⅝-6¾	6.15625	14⅛-15¼	6.15	15⅛-15⅝
One month	5.50-5.60	10⅛-15⅛	5⅛-5⅛	6⅛-8¾	6.21875	14⅛-14⅞	2⅝-8	15⅜-15⅝
Two months	5.55-5.70	15⅛-15⅛	—	—	—	—	—	15¼-12⅞
Three months	5.05-5.70	10⅛-15⅛	5⅛-5¼	6⅞-8⅝	6.22125	15-15⅝	8⅝-8⅛	12⅛-12⅝
Six months	5.5-5.75	10⅝-15½	—	6⅛-6⅝	—	—	8⅝-8⅞	18⅛-12⅝
Lombard	0.5	—	—	—	—	—	—	[illegible]
Intervention	—	15⅛	—	0⅝	—	—	—	[illegible]

LONDON MONEY RATES

Discount Houses Deposit and Bill Rates

June 20 1985	Sterling Certificate of Deposit	Interbank	Local Authority deposits	Company Deposits	Market Deposits	Treasury (Buy)	Treasury (Sell)	Eligible Bank (Buy)	Eligible Bank (Sell)	Fine Trade (Buy)
[illegible]										

	Local Auth. negotiable bonds	Local Authority Deposits	Finance House Deposits	$ Cert of Deposits	SDR Linked Deposits	ECU Linked Deposits
[illegible]						

ECGD Fixed Rate Finance IV: Average Rate of Interest period May 8 to June 4 (inclusive): 12.077 per cent. Local authority and finance houses seven days' notice, others seven days' fixed. Finance Houses Base Rate (published by the Finance Houses Association): 12 per cent from June 1, 1985. London and Scottish Clearing Bank Rates for lending 12½ per cent. Bank Deposit Rates for sums at seven days' notice 9.625 per cent. Certificates of Tax Deposits (Series 6): Deposits £100,000 and over held under one month 12¼ per cent; one-three months 12¼ per cent; three-six months 11¾ per cent; six-nine months 11¾ per cent; nine-12 months 11¾ per cent. Under £100,000 11¼ per cent from June 20. Deposits held under Series 5 11¼ per cent. The rate for all deposits withdrawn for cash 9 per cent.

MONEY RATES

NEW YORK (Lunchtime)

Prime rate	9½
Broker loan rate	[illegible]
Fed funds	[illegible]
Fed funds at intervention	—

Treasury Bills

One month	6.80
Two month	6.85
Three month	6.91
Six month	6.91
One year	7.11

Treasury Bonds

Two year	[illegible]
Three year	[illegible]
Four year	[illegible]
Five year	[illegible]
Seven year	[illegible]
10 year	[illegible]
30 year	[illegible]

FT LONDON INTERBANK FIXING

(11.00 a.m. June 20)

Three months U.S. dollars

bid 7 1-16 | offer 7 3-16

Six months U.S. dollars

bid 7 11-16 | offer 7 13-16

The fixing rates are the arithmetic means, rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

FINANCIAL FUTURES

Weaker trend

Interest rate contracts weakened on the London International Financial Futures Exchange yesterday. U.S. markets were nervous overnight ahead of the second quarter GNP flash estimate, amid speculation that the figure might be above recent forecasts. Prices opened lower on Liffe, but trading was quiet ahead of the GNP announcement. The estimated rise of 3.1 per cent was higher than anticipated and was followed by selling of all contracts. Support was found at the lower levels however, and prices in Eurodollar and U.S. Treasury bond futures were pushed back up near to the previous Chicago close. Dealers suggested there is still hope of a cut in the Federal Reserve's discount rate today, but the chances of such a move have probably been diminished by the GNP figure. On the other hand the Fed's action this week in only draining reserves from the banking system when the Federal funds rate was below 7 per cent kept hopes alive.

In nervous and confused trading the market eventually finished weak.

Yesterday's news was also seen as putting back the date for any reduction in UK clearing bank base rates.

LONDON

THREE-MONTH EURODOLLAR
$1m points of 100%

	Close	High	Low	Prev
Sept	92.06	92.22	91.95	92.29
Dec	91.61	91.73	91.60	91.82
March	91.18	91.28	91.17	91.40
June	90.83	90.90	90.76	91.05
Sept	90.52	90.52	90.52	90.75

Estimated volume 6,412 (5,011)
Previous day's open int 19,487 (19,487)

THREE-MONTH STERLING
£500,000 points of 100%

	Close	High	Low	Prev
[illegible]				

20-YEAR 12% NOTIONAL GILT
£50,000 32nds of 100%

	Close	High	Low	Prev
[illegible]				

STERLING £25,000 $ per £

	Close	High	Low	Prev
[illegible]				

DEUTSCHE MARKS DM 125,000 $ per DM

	Close	High	Low	Prev
[illegible]				

SWISS FRANCS SwFr 125,000 $ per SwFr

	Close	High	Low	Prev
[illegible]				

JAPANESE YEN Y12.5m $ per Y100

	Close	High	Low	Prev
[illegible]				

FT-SE 100 INDEX £25 per full index point

	Close	High	Low	Prev
[illegible]				

U.S. TREASURY BONDS
8% $100,000 32nds of 100%

	Close	High	Low	Prev
June	77-09	77-28	76-31	79-17
Sept	76-07	76-19	76-02	78-11
Dec	—	—	—	77-10

Estimated volume 2,430 (2,375)
Previous day's open int 2,181 (2,181)

CHICAGO

U.S. TREASURY BONDS (CBT)
8% $100,000 32nds of 100%

	Latest	High	Low	Prev
[illegible]				

U.S. TREASURY BILLS (IMM)
$1m points of 100%

	Latest	High	Low	Prev
[illegible]				

CERT. DEPOSIT (IMM)
$1m points of 100%

	Latest	High	Low	Prev
[illegible]				

STERLING (IMM) $e per £

	Latest	High	Low	Prev
[illegible]				

THREE-MONTH EURODOLLAR (IMM)
$1m points of 100%

	Latest	High	Low	Prev
[illegible]				

GNMA (CBT)
8% $100,000 32nds of 100%

	Latest	High	Low	Prev
[illegible]				

Company Notices

NOTICE OF REDEMPTION
European Coal and Steel Community (E.C.S.C.)

$US 25,000,000
8½% 10 YEAR BONDS OF 1976 DUE AUGUST 1986

The Commission of the European Communities informs herewith the bearers of bonds that a selection by lot for a principal amount of $US 2,439,000 has taken place in the presence of a Notary Public on May 30, 1985 by Banque Internationale à Luxembourg.

Numbers of bonds selected by lot: 7173-7213; 7217-7270; 7310-7326; 7333-7350, 7606; 0042-0056; 8806-8400; 8858-0860; 8899-8904; 10297-10299; 12804-12399; 18283-14800; 14641-18700; 18701-16000; 10011-16100, 16201-18580; 16000-17100; 17764-17785; 17851-18776.

Principal amount of bonds purchased: $US 436,000.

Principal amount called for redemption: $US 2,675,000.

Principal amount unamortised after August 2, 1985. $US 2,875,000.

The bonds selected by lot will be reimbursed and or after August 2, 1985 with coupon on August 2, 1986 in accordance with the terms of payment mentioned on the bonds.

Luxembourg.
June 22, 1985.

Art Galleries

Clubs

Personal

Contracts and Tenders

Republique Algerienne Democratique et Populaire

(Algerian Popular Democratie Republic)

Ministere de L'Energie et des Industries Petrochimiques

(Ministry of Energy and Petrochemical Industries)

Enterprise Nationale des Travaux aux Puits

(National Oil Exploitation Company)

Notice of extension

The National Oil Exploitation Company (E.N.T.P.) - 16, Route da MEFTAH - OUED SMAR - EL HARRACH - ALGER - hereby informs companies concerned with International Call for Tender No. 9136.AY/MEC for the supply of:

09 FORKLIFT TRUCKS

that the closing date, initially indicated as 8/6/85, has been extended to 6/7/85.

$ WORLD VALUE OF THE DOLLAR

BANK OF AMERICA NT & SA, ECONOMICS DEPARTMENT, LONDON

The table below gives the rates of exchange for the U.S. dollar against various currencies as of Wednesday, June 19, 1985. The exchange rates listed are middle rates between buying and selling rates as quoted between banks, unless otherwise indicated. All currencies are quoted in foreign currency units per one U.S. dollar except in certain specified areas. All rates quoted are indicative. They are not based on, and are not intended to be used as a basis for, particular transactions.

Bank of America NT & SA does not undertake to trade in all listed foreign currencies, and neither Bank of America NT & SA nor the Financial Times assume responsibility for errors.

Bank of America, Economics Dept., E.M.E.A. London
Eurodollar Libor as of June 19 at 11.00 a.m.
3 months: 7⅜ 6 months: 7⅝

ECU=$US.747147 SDR1=$US1.0049
Sibor as of June 19 at 11.00 a.m.
3 months: 7⅜ 6 months: 7⅝

COUNTRY	CURRENCY	VALUE OF DOLLAR
Afghanistan	Afghani (o)	50.60
Albania	Lek	7.6911
Algeria	Dinar	5.085
Andorra	Fr. Franc	2.1725
	Sp. Peseta	172.12
Angola	Kwanza	29.512
Antigua	E. Caribbean $	2.70
Argentina	Austral (2)	0.805
Australia	Dollar	1.4925
Austria	Schilling	51.125
Azores	Port. Escudo	172.95
[illegible]		
Grenada	E. Caribbean $	5.70
Guadaloupe	Franc	8.1725
Guam	U.S. $	1.00
Guatemala	Quetzal (o)	1.00
	Quetzal (h, f)	3.5544
Guinea Bissau	Peso	147.353
Guinea Rep	Syli	24.5648
Guyana	Dollar	4.12
Haiti	Gourde	5.00
Honduras Rep	Lempira	2.00
[illegible]		
Paraguay	Guarani (o.o.)	240.00
	Guarani (0)	593.00
Peru	Sol (o)	10835
Philippines	Peso	18.235
Pitcairn Is.	N.Z. Dollar	2.1222
Poland	Zloty (O) (3)	159.00
Portugal	Escudo	172.95
Puerto Rico	U.S. $	1.00
Qatar	Riyal	3.641
[illegible]		

[illegible]

For further information please contact your local branch of the Bank of America.

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

1985 High	Low	Stock	Price £	+ or -	Yield Int.	Red.
99¾	97¼	Treas 8¾pcCnv '85	99⅜		8.83	12.59
101⅝	99⅛	Exch. 12¼pc 1985	100	-⅛	12.25	12.01
101⅛	99¼	Exch. 11½pc '86	99⅞	-⅛	11.76	11.73
99½	97⅛	Treas. 10pcCnv 1986	98⅞	-¼	10.13	11.66
94⅞	92¼	Treas 3pc 1986	94⅛	....	3.18	9.58
100	97½	Exch. 10½pc Cv '86	99⅛	-⅛	10.59	11.48
101¾	99⅝	Treas 12pc 1986	100⅜	-⅛	11.93	11.42
97⅞	94⅞	Treas 8½pc 1984-86‡‡	97⅛xd	...	8.73	11.24
105⅜	102⅜	Exch. 14pc 1986	103⅛	-⅛	13.58	11.42
93⅛	87⅝	Exch. 2½pc 1986	92⅞	-⅛	2.69	7.89
104⅜	101¼	Exch. 13¼pc 1987	102⅝xd	-⅛	12.90	11.37
99½	96⅝	Treas 10¼pcCv '87	98⅛	-⅛	10.42	11.32
91	85½	Exch 2½pc 1987	90¼	...	2.75	0.51
99⅜	96¼	Exch. 10½pc 1987	98⅛	-⅛	10.63	11.24
93⅞	89	Funding 6½pc '85-87‡‡	93¼	...	6.97	10.57
98½	95½	Treas. 10pc 1987	97⅞	-⅛	10.22	11.26
90¼	84¼	Treas 3pc 1987	90xd	-⅛	3.33	8.39
102⅞	99⅛	Treas. 12pc 1987	101⅛	-⅛	11.84	11.27
93½	90¼	Treas 7¾pc 1985-88‡‡	93½xd	...	8.29	10.69
98⅞	95⅛	Exch 10½pc '88	98¼	-⅛	10.69	11.20
96⅞	93⅛	Treas 9¾pc Cv '88	96⅛	-⅛	10.14	11.29
85⅞	80	Transport 3pc '78-88	85⅝xd	+⅛	3.50	0.46
95⅛	91½	Treas. 9½pc '88	94⅞	-⅛	10.01	11.35
101⅛	97⅛	Treas 11½pc 1989	100⅛	-⅛	11.44	11.29
95⅛	90¼	Treas 9½pc Cnv. '89	94⅛	-⅛	10.05	11.27
29⅞	29	Treas 3pc 1989	79¼	...	3.76	9.31
98½	94	Treas 10½pc 1989	97⅞	-⅛	10.75	11.23
96⅞	92	Exch 10pc 1989	95¾	-⅛	10.44	11.32
99⅞	95	Exch 11pc 1989	98⅞	-⅛	11.10	11.30
84	79	Treas 5pc 1986-89	84	.....	5.95	9.60
107½	103⅛	Treas 13pc 1990‡‡	106⅞xd	-⅛	12.17	11.06
99⅜	96⅞	Exch 11pc 1990‡‡	98⅞	-⅛	11.13	11.31
108¼	100⅛	Exch. 12½pc 1990	104½	-⅛	11.96	11.22
—	—	*Treas. 3pc 1990a*	*£75¾*	....	3.96	9.29
93	87½	Treas 8¼pc 1987-90‡‡	90⅜	...	9.13	10.81

Five to Fifteen Years

Over Fifteen Years

Undated

Index-Linked

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HOTELS—Continued

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INDUSTRIALS—Continued

1985 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
77	61	Marshall's Universal	67	–1	2.0	1.4	4.3	(21.3)
86	78	Do. 7½pcCnRedPf £1	85	.....	7½%	—	12.6	—
22	22	Martin-Black	22	.....	—	—	—	—
£97	£81	Mathesons 7¾%	£93	.....	Q7¾%	2.3	18.5	—
15	7½	Mangrove 1p	31	+1	—	—	—	—
477	375	Metal Box £1	455	.....	17.25	q2.8	5.4	6.6
170	136	Metal Closures	145	+2	6.7	2.0	6.6	9.1
17	9	Metal Sciences 2½p	12	.....	—	—	—	—
104	73	Midland Marts	104	.....	4.0	1.8	5.5	13.2
83½	68	Mitchell Cotts	70	.....	4.0	1.5	8.2	10.0
230	182	Morgan Crucible	207	.....	8.0	1.6	5.5	14.4
32½	22	Morris (W) F.A. 20p	32	.....	g0.5	♦	2.2	♦
110	91	Moss (Robt.) 10p	104	.....	3.0	2.5	4.1	11.5
81	68	Mysom Grp 10p	72	–1	g2.5	3.4	5.0	13.7
328	214	N.M.W. Computers	305	+25	4.8	2.7	2.2	23.4
43	30	Nash Inds.	30	.....	2.5	1.5	11.9	6.9
48	23	Neil & Spencer 10p	23	–1	♦	—	—	6.9
44	14½	Newman Inds 10p	38	–1	—	—	—	(18.0)
44	18½	Do. 10pc Cn.Cm.Pf.	39	.....	10%	—	1.7	—
55	43	Nolton	53	.....	g1.1	4.5	3.0	8.9
183	146	Norcros	168	.....	8.6	♦	7.6	♦
67	50	Nu-Swift 5p	56	+2	3.0	1.6	7.7	10.7
111	68	Oakwood Grp.	111	+1	4.5	1.4	5.8	(16.3)
230	150	Office & Elect	230	.....	7.5	2.4	4.7	12.6
108	80	Oldacre 20p	80	.....	4.0	2.6	7.1	7.1
58	37	Optometrics $0.01	48	.....	—	—	3.3	51.0
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

LEISURE—Continued

[illegible]

MOTORS, AIRCRAFT TRADES

Motors and Cycles

[illegible]

Commercial Vehicles

[illegible]

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING, ADVERTISING

[illegible]

INSURANCES

[illegible]

LEISURE

[illegible]

PROPERTY

[illegible]

PROPERTY—Continued

[illegible]

SHIPPING

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TOBACCOS

[illegible]

TRUSTS, FINANCE, LAND

Investment Trusts

[illegible]

INVESTMENT TRUSTS—Cont.

[illegible]

Finance, Land, etc

[illegible]

FINANCE, LAND—Cont.

[illegible]

OIL AND GAS

[illegible]

OVERSEAS TRADERS

[illegible]

PLANTATIONS

Rubbers, Palm Oil

[illegible]

Teas

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

MINES—Continued

O.F.S.

[illegible]

Diamond and Platinum

[illegible]

Central African

[illegible]

Finance

[illegible]

Australians

[illegible]

Tins

[illegible]

Miscellaneous

[illegible]

NOTES

[illegible]

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

[illegible]

"Recent Issues" and "Rights" Page 42

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £800 per annum for each security.

For Options see Unit Trusts

LONDON STOCK EXCHANGE

MARKET REPORT

Drab equity session relieved only by sparkling market debut of Abbey Life

Account Dealing Dates

Option *First Dealings	Declarations	Last Dealings	Account Day
June 3	June 13	June 14	June 24
June 17	June 27	June 28	July 8
July 1	July 11	July 12	July 22

* " New-time " dealings may take place from 9.30 am two business days earlier.

Leading stocks ran into another heavy squall yesterday and shortly after midday the whole market looked distinctly uneasy. A reason for this latest storm was not entirely clear for few equity dealers noticed any expansion in selling orders, although demand remained at an extremely poor level owing to persisting cash shortages.

It was suggested that the authorities' caution over interest rates—the Bank of England seems reluctant to sanction any early cut in bank base rates—had infected all London financial markets. The key three months interbank rate moved noticeably higher yesterday to 12¾ per cent, but the sterling exchange rate conversely lost strength.

An explanation for the current equity market uncertainty could therefore lie elsewhere. On several occasions recently speculation has emerged of some more venturesome investors encountering financial difficulties and until next Monday's settlement of the previous Account's obligations the market tone could remain unsettled.

Dealers tried to encourage buyers by offering stock at lower prices but the move produced little response until early-afternoon news of the U.S. second-quarter GNP figure. The "flash" estimate of 3.1 per cent was much higher than any forecast. Support for blue chip issues was then forthcoming and the FT Ordinary share index, which looked set for a major reaction at noon, recovered to close 8.8 down on balance at 974.1.

The only splash of colour was in the Abbey Life corner. Opening dealings produced a premium of 55p on the offer-for-sale price of 180p and that level was held throughout a lively first hour of business. Eventually Abbey Life succumbed to the surrounding malaise and settled at 232p, after 230p.

Government securities were harder initially but the advance faltered as the dollar responded sharply to the latest U.S. economic pointers. Small Gilt-edged gains were wiped out in the wake of a falling pound and replaced later by losses ranging to ⅜. Tenders for Treasury 3 per cent 1990 were allotted in full at a minimum tender price of £75¼.

Life issues easier

Life issues derived initial inspiration from the successful debut of Abbey Life, but the move towards higher levels proved to be short-lived. The lack of follow-through support and occasional profit-taking reversed the trend and falls at the close ranged to 12. Prudential finished that much lower at 693p, after 710p, while Legal and General fell 10 to 735p, after 750p. Pearl softened ½ at £12 and Sun Life 5 to 875p. Among Composites, London United Investments dropped 7 to 305p, after 303p, on news of the proposed £7.1m rights issue. Other issues closed mixed with Royals, 4 off at 683p, after 675p, and Sun Alliance, 5 dearer at 470p, after 460p.

Midland, at 373p, encountered profit-taking and lost 10 of this week's good rise which has stemmed from Scrimgeour Vickers' upgraded profits forecast and vague takeover speculation.

Arthur Bell traded quietly throughout and closed 10 lower at 258p; the chairman's defence statement, issued after-hour's, failed to give an appreciable boost to sentiment. Bidders Guinness eased the turn to 254p valuing the spirits group at around 228½p per share. Heavitree made a subdued debut to the Unlisted Securities Market, the Ordinary shares opened at 440p and closed at 460p, while the A opened at 430p and settled at 450p.

In Buildings Bett Brothers weakened to 52p immediately following the sharply reduced interim profits but later rallied to close only 4 off on balance at 54p.

Stores above worst

Leading Retailers drifted lower from the outset as cheaper money hopes diminished. Sentiment improved after the "house" close, however, with most issues finishing well above the worst. Gussies A dipped 12 to 775p, after 770p, while Dixons slumped to 684p before also settling 12 lower on balance at 692p; last year the latter's preliminary results were announced on July 19. Debenhams were again relatively steady, easing a penny to 384p awaiting the defence document to the bid from Burton, 4 lower at 470p, after 462p; House of Fraser has increased its stake in Debenhams to 7.6 per cent.

Similar conditions prevailed among secondary Stores. W. H. Smith A closed only a couple of pence cheaper on balance at 230p, after 236p, while J. Hepworth ended 5 lower at 220p. Stead and Simpson A, supported of late on vague hopes of a bid from Ward White, fell 12 to 203p awaiting today's annual results. Henry Wigfall were marked 5 lower to 110p following the annual deficit.

Racal attracted renewed support ahead of Monday's preliminary figures and closed 8 higher at 194p. STC moved up to 150p behind vague rumours that ITT were about to sell its remaining stake in the company before drifting back to finish only a couple of pence dearer on balance at 146p. British Telecom softened a penny to 178p, after 176p, following cautious comment in the wake of the record profits, while GEC gave up 2 to 172p. The redundancies at Timex proved a burden for secondary Electricals. Bowthorpe fell 13 to 330p, while TDS Circuits declined 10 to 290p as did Tunstall Telecom, to 235p. United Scientific, however, responded to revived takeover chatter with a rise of 10 to 190p, after 195p.

Westland, a depressed market of late following the board's decision to capitulate and accept the Alan Bristow-led consortium bid, suffered a severe setback on the intimation that the 150p per share offer might be withdrawn because certain conditions had not been met; opening at around the 120p level, the shares plunged to a 1985 low of 75p before closing 30 down on balance at 90p. British Aerospace were sold on fears that it could be forced to step in and bid for Westland if the consortium offer fails. BAe dropped to 345p at one stage before closing 9 lower at 353p. Engineering leaders gave ground with Hawker a further 11 off at 424p following the annual general meeting. Vickers lost 5 to 280p and GKN gave up 6 at 223p. Elsewhere, TI declined 4 to 270p on profit-taking, while falls of 3 and 4 respectively were seen in Babcock, 148p, and Delta, 139p.

With the exception of Fitch Lovell, 4 dearer at 207p following the full-year results, Foods provided a catalogue of losses. Among major Retailers, falls of 4 were common to Kwik-Save, 192p, J. Sainsbury, 312p, and Associated Dairies, 146p. Argyll Group declined 10 to 298p with the Warrants 8 lower at 180p. Elsewhere, further consideration of the annual results clipped 4 from Northern Foods, at 248p, while profit-taking left Rowntree Mackintosh 10 lower at 395p and Bluebird Confectionery 4 off at 78p. Hazlewood slipped a fraction to £11¼ following the proposed rights issue. Barker and Dobson also eased marginally, to 10p, on the expected lapse into losses and final dividend omission.

Brammer lower

Miscellaneous industrial leaders made a dull showing. Boots, recently favoured on talk of a bid from Hanson Trust, cheapened 4 to 194p, while Pilkington came back 5 to 290p and Reckitt and Colman 8 to 522p. Elsewhere, Brammer fell 17 to 310p, the bid from Bunzl lapsing in the wake of Brammer's successful acquisition of Energy Services; Bunzl lost 5 to 450p as did E.S., to 112p. A. & P. Appledore fell 35 to 315p following persistent profit-taking, while Vinten gave up 8 to 148p and Diploma lost 10 to 165p. Extel, at 345p, gave back 8 of Tuesday's good rise which greeted the announcement that Dr Ashraf Marwan of Monte Carlo had acquired a 5 per cent stake in the company and intends to increase it. Ecobric remained on offer at 11p, down a further 6, but Brook Street Bureau moved up 4 more to 134p on continuing talk of a bid from Blue Arrow. Reflecting expansion hopes, NMW Computer jumped 25 to 305p, while Cole firmed 4 afresh to 196p awaiting bid developments. Powell Duffryn improved 8 to 293p following comment on the results.

Jaguar, down to 279p initially, staged a lively rally behind the firmer dollar and closed 4 up on balance at 287p. Among Motor Distributors, Harold Perry rose a penny to 98p on news that Mr Ron Brierley's I.E.P. Securities holds almost 7.5 per cent of the equity.

Properties featured British Land which cheapened 5 to 137p following the preliminary results. Land Securities softened 3 to 272p and MEPC gave up 6 to 280p in sympathy. Stock Conversion, however, moved up 5 to 505p on the late announcement that the company has sold its 16 acre White City Stadium site to the BBC for £30m cash.

Dawson International were volatile; up to 290p in immediate response to the annual results and proposed 1-for-2 scrip issue, the shares thereafter drifted steadily to close a net 4 lower at 280p. Merger partners Nottingham Manufacturing and Vantona Viyella both shed 6 to 364p and 264p respectively. Coats Patons also lacked support and fell 5 to 164p.

Oils dip and rally

The oil sector came under pressure at the outset on selling encouraged by rumours that Saudi Arabia may step up crude oil production ahead of the full meeting of OPEC scheduled for July 5. Leading issues were marked lower and continued to drift until the early afternoon when the dollar staged a strong rally. The emergence of persistent U.S. buying then enabled the two major stocks—BP and Shell — to regain their initial losses. The former, down to 517p early on, were finally unchanged on balance at 525p, while Shell ended the day a shade firmer at 688p, after 677p. Britoil lost a few pence at 213p, after 210p and LASMO showed a 6 decline at 247p, after 245p. Secondary issues attracted heavy selling during the early dealings. Caledonian Offshore dropped from an overnight 630p to 530p at one point, as fading bid hopes triggered a gradual build up of selling pressure, but later rallied to close a net 70 lower at 560p. Falcon Resources dropped to 70p before settling 9 cheaper at 73p.

Hampton areas weak

The rally in the dollar following the much better-than-expected U.S. GNP figure for the second quarter put paid to the recent recovery movement in both bullion and gold shares.

The gold sharemarket opened on a steady note and generally marked time during the morning. The economic news from the U.S., however, prompted a smart upward movement in the dollar and brought considerable pressure to bear on the bullion price, which having opened around $323 subsequently fell back to close a net $6.75 lower at $318.5 an ounce. Weakness in many Continental currencies was quickly followed by sustained overseas selling of Golds and the sector retreated across the board before steadying after-hours. Sterling quotations for Golds were cushioned by the sharp rise in the U.S. currency, and the Gold Mines index was unaltered at 452.3.

The two gold mines in the "Johnnies" group moved against the general trend with Randfontein finally £1¼ up at £80¾ and Western Areas 8 better at 318p ahead of the final dividends which were not known during market hours. Elsewhere in Golds Vaal Reefs fell back to close £1¾ off at £70¾, President Brand gave up ½ to £19¾ and Free State Geduld and St Helena dipped ¾ apiece to £20¾ and £13¾ respectively.

Hampton Areas featured UK Financials and dropped 32 to 143p following news that its partners in the Colorado gold joint venture have been unable to raise further financing for their share of the project and that Hampton Areas is to make a provision regarding their investment in the annual results scheduled for next Wednesday.

Other London issues were unsettled by the downturn in gold, and the substantial falls through domestic equity markets. Consolidated Gold Fields were particularly weak and gave up 13 to 530p while Rio Tinto-Zinc retreated 10 to 570p.

West Coast Holdings lost a penny to 18p following news that the company has raised A$725,000 via a placement of 2.5m ordinary shares at 29 cents each with clients of London brokers Vickers Da Costa.

Demand for Traded Options increased slightly and total contracts struck yesterday amounted to 8,495—4,965 calls and 3,530 puts. Next Tuesday sees the introduction of dealings in a long-dated Gilt contract—each for £50,000 nominal of Treasury 11¾ per cent 2003/07.

FINANCIAL TIMES STOCK INDICES

	June 20	June 19	June 18	June 17	June 14	June 13	year ago
Government Secs.	81.94	82.17	81.86	81.73	81.66	81.45	78.80
Fixed Interest	86.49	86.45	86.25	86.16	86.16	86.11	82.99
Ordinary	974.1	982.9	985.8	988.3	979.1	977.0	819.1
Gold Mines	452.3	452.3	436.8	431.6	436.8	429.6	653.5
Ord. Div. Yield	4.76	4.72	4.70	4.69	4.72	4.72	4.83
Earnings, Yld.% (full)	11.81	11.80	11.75	11.72	11.81	11.80	11.20
P/E Ratio (net) (*)	10.28	10.34	10.39	10.42	10.34	10.35	10.72
Total bargains (Est.)	23,168	61,397	22,556	23,331	23,567	21,161	17,231
Equity turnover £m.	-	289.09	991.95	323.24	640.56	394.62	218.70
Equity bargains	—	15,065	16,340	20,406	22,861	19,043	13,329
Shares traded (ml)	-	151.1	160.7	172.1	234.2	127.8	124.7

10 am 977.2. 11 am 972.5. Noon 970.3. 1 pm 970.5.
2 pm 971.2. 3 pm 973.2.

Basis 100 Govt. Secs. 15/1/26. Fixed Int. 1928. Ordinary 1/7/35. Gold Mines 12/10/55. SE Activity 1974.

Latest Index 01-246 8026.

* Nil—9.82.

HIGHS AND LOWS / S.E. ACTIVITY INDICES

—	1985 High	1985 Low	Since Compilat'n High	Since Compilat'n Low
Govt. Secs.	82.17 (19/6)	78.02 (28/1)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Int.	86.49 (20/6)	82.17 (28/1)	150.41 (28/11/47)	50.53 (3/1/75)
Ordinary	1024.5 (22/1)	926.7 (3/1)	1024.5 (22/1/85)	49.4 (26/6/40)
Gold Mines	536.2 (13/4)	421.6 (10/6)	734.7 (15/2/83)	43.5 (26/10/71)

	June 19	June 18
Daily Gilt Edged Bargains	154.0	145.3
Equities Bargains	104.1	118.8
Value	584.3	590.1
5 day Average Gilt Edged Bargains	137.3	132.1
Equities Bargains	125.3	127.6
Value	784.0	617.1

NEW HIGHS AND LOWS FOR 1985

NEW HIGHS (34)

INTL. BK. & O'SEAS GOVT. STLG. ISS. (2)
Australia 13½pc '10 Malaysia 12½pcLn '08
FOREIGN BONDS (1)
Iceland 14½pc Ln '16
AMERICANS (2)
CalFed Inc. CityFed. Financial
BANKS (1)
Deutsche Bank
BREWERS (2)
Invergordon Distills. Morland
BUILDINGS (2)
Galliford Sharpe & Fisher
STORES (1)
Ratners
ELECTRICALS (2)
App. Holog's Wts. Pethow
ENGINEERING (3)
Edbro TACE
Ransomes Sims
FOODS (1)
Sleters Food
HOTELS (1)
Garfunkels Restnts.
INDUSTRIALS (6)
Brook St. Bureau Longton Inds.
Cole Oakwood
Lamont Hldgs. Powell Duffryn
INSURANCE (4)
Allianz Versich. Lond. Manch. Gp.
Amer. Gen. Vpn. Taisho Marine
MOTORS (1)
Cowie (T.)
NEWSPAPERS (1)
Octopus Publishing
PAPER (1)
Crown Intl. Prods.
MINES (3)
Middle Wits. Gem Exploration. Mins.
Transval Cons. Land

NEW LOWS (96)

AMERICANS (1)
Louisiana Land
CANADIANS (1)
Bow Valley
BREWERS (1)
Merrydown Wine
BUILDINGS (4)
Feb Intl. A Persimmon
Maunders (John) Ruberoid
STORES (4)
Ellis & Goldstein Gee-Rosen
Gebiol Wassal (J. W.)
ELECTRICALS (21)
ENGINEERING (2)
M.. Hldgs. Westland
FOODS (1)
Assoc. Dairies
HOTELS (1)
Kennedy Brookes
INDUSTRIALS (15)
AGA AB Diploma Invs.
Barrow Hepburn Falcon Inds.
Beecham Flexello Castors
Benlox Hanson Trust
Billam (J.) Scapa
Brengreen Sunlight Service
Ecobric Vinten
Do. Defd.
LEISURE (1)
Juliana's Hldgs.
MOTORS (1)
Lex Service
NEWSPAPERS (1)
United Newspapers
PAPER (2)
Crapoe Lodge Geers Gross
PROPERTY (6)
Abaco Invs. Frogmore Ests.
Comaco Hldgs. Land Securities
Country & N. Town MEPC
TOBACCOS (1)
Rothmans Intl.
TRUSTS (18)
OILS (10)
Charterhall Ind. Scotland Energy
Charterhouse Petrol. LASMO Ops.
Edinburgh Oil Gas Palliser Intl.
Enterprise Oil Ranger Oil
Gt. Western Rsrcs. Saxon Oil
OVERSEAS TRADERS (1)
Harrisons Crosfields
MINES (4)
De Beers Defd. Eastern Pet. Australia
Impala Platinum Centennial Minerals

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	93	1	14
Corpns. Dom. and Foreign Bonds	7	9	60
Industrials	187	416	851
Fin. and Props.	50	137	366
Oils	16	41	70
Plantations	0	2	15
Mines	44	49	86
Others	100	46	83
Totals	497	701	1,546

RECENT ISSUES

EQUITIES

FIXED INTEREST STOCKS

RIGHTS OFFERS

Renunciation date usually last day for dealing free of stamp duty. b Figures based on prospectus estimates. g Assumed dividend and yield. u Forecast dividend cover based on previous year's earnings. p Pence unless otherwise indicated. ¶ Issued by tender. ‖ Offered holders of ordinary shares as a "rights." ** Issued by way of capitalisation. §§ Reintroduced. ¶¶ Issued in connection with reorganisation merger or takeover. ▮ Allotment letters or fully paid. ‖‖ Introduction. ✱ Unlisted Securities Market. § Placing price. ‡‡ Dealt in under Rule 535 (3).

ACTIVE STOCKS

Above average activity was noted in the following stocks yesterday.

Stock	Closing price	Day's change
Abbey Life	232	—
British Aerospace	353	− 9
Burton	470	− 4
Caledonian Offshore	560	−70
Dixons Group	692	−12
Energy Capital	62	+ 9
Falcon Resources	73	− 9
Legal and General	735	−10
Pearl	£12	− ½
Royal Insurance	683	− 4
United Scientific	190	+10
Westland	90	−30

OPTIONS

First Dealings	Last Dealings	Last Declaration	For Settlement
June 10	June 21	Sept 12	Sept 23
June 24	July 5	Sept 26	Oct 7
July 8	July 19	Oct 10	Oct 21

For rate indications see end of Share Information Service

Call options were taken out in Acorn Computer, Abbey Life, United Scientific, Aitken Hume, Falcon Resources, Macarthys Pharmaceuticals, Sangers, Bula, Energy Capital and British Telecom. No puts or doubles were reported.

WEDNESDAY'S ACTIVE STOCKS

Based on bargains recorded in Stock Exchange Official List.

Stock	No. of changes	Wed. close	Day's change
Brit. Telecom.	19	178	− 6
Bell (A.)	14	268	− 2
Midland Bank	14	383	+10
STC	13	144	—
Lucas Inds.	12	327	− 8
MK Electric	12	261	+16
ICI	11	742	− 1
Imperial Group	11	191	+ 7
Allied-Lyons	10	208	− 3
Beecham	10	338	− 2
Hanson Trust†	10	8pm	− 1
Hawker Siddly	10	435	−11
Legal and Gen	10	745	+ 7
Prudential	10	705	+ 8

†Nil-paid

FT-ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS — Thur June 20 1985

FIXED INTEREST

†Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, the Financial Times, Bracken House, Cannon Street, London, EC4P 4BY, price 15p, by post 28p.

EUROPEAN OPTIONS EXCHANGE

TOTAL VOLUME IN CONTRACTS: 22,436

A=Ask B=Bid C=Call P=Put

LONDON TRADED OPTIONS

June 20 Total contracts 8,495 Calls 4,965 Puts 3,530

*Underlying security prices.

WORLD STOCK MARKETS

AUSTRIA

June 20	Price Sch	+ or −
Creditanstalt	360	−11
Goesser	520	+2
Interunfall	1,850	
Laenderbank	272	−11
Perlmooser	640	−15
Steyr-Daimler	184	+2
Veitscher Mag	252	−7

BELGIUM/LUXEMBOURG

June 20	Price Frs.	+ or −
B.B.L.	1,870	−10
Banq. Int. A. Lux	0,030	
Bekaert B	5,250	
Ciment CBR	2,310	+20
Cockerill	226	+3
Delhaize	6,200	
EBES	3,090	+1
Electrobel	8,400	
Fabrique Nat	8,000	
GB Inno BM	4,750	+60
GBL (Brux)	1,945	−5
Gevaert	5,810	+10
Hoboken	5,590	+60
Intercom	9,925	−10
Kredietbank	9,100	+10
Pan Hldgs.	10,950	
Petrofina	5,660	−60
Royale Belge	18,000	100
Soc. Gen. Banq	3,495	
Soc. Gen. Belge	1,855	−25
Sofina	7,190	+20
Solvay	4,405	+30
Stanwich Intl.	1,500	
Tractionel	5,850	+35
UCB	5,280	+100
Wagon Lits	5,550	+100

DENMARK

June 20	Price Knr %	+ or −
Andelsbanken	303	
Baltic Skand	675	−5
CopHandelsbank	502	+8
D. Sukkerfab	485	+10
Danske Bank	518	+8
De Danske Luft.	1,100	
East Asiatic	281	+1
Forenede Brygg.	890	
Forenede Damp.	147	−6
GNT Hldg	400	
I.S.S.B.	436	
Jyske Bank	665	+10
Novo Ind	1,630	
Privatbanken	283	
Provinsbanken	347	5
Smidth (F)	852	+5
Sophus Berend.	1,050	
Superfos	407	

FRANCE

June 20	Price Frs.	+ or −
Emprunt 4½% 1973	1,604	6
Emprunt 7% 1973	8,880	−17
Accor	367	−5
Air Liquid	678	+7
BIC	657	5
Bongrain	1,034	
Bouygues	920	+20
BSN Gervais	2,525	
CIT Alcatel	1,275	−00
Carrefour	2,160	45
Club Mediter'n.	514xc	−4
Cie Bancaire	645xc	−4
Cofimeg	394	+1
Damart	3,010	−05
Darty	1,460	+16
Dumex S.A.	638	22
Eaux (Cie Gen.)	602	
Elf-Aquitaine	911.5	+2.0
Essilor	2,425	−25
Gen. Occidentale	705	
Imetal	109.5	+6.4
Lafarge Coppee	052	−1
L'Oreal	2,616	98
Legrand	0,280	+69
Maisons Phenix	851	+9
Matra S.A.	1,825	20
Michelin B.	1,050	−10
Midi (Cie)	0,600	
Moet-Hennessy	1,945	
Moulinex	88.0	+1.5
Nord Est.	97.7	−0.1
Pernod Ricard	775	+9
Perrier	550	+9
Petroles Fra.	046.6	−0.0
Peugeot S.A.	401	+6
Printemps Au	284	+6
Radiotech	520	+5
Redoute	1,484	−14
Roussel Uclaf	1,550	−56
Sefimeg	570	+9
Skis Rossignol	1,545xc	−68
Telemech Elect.	0,890	+40
Thomson CSF	526	−4
Valeo	224	+9.2

GERMANY

June 20	Price Dm.	+ or −
AEG-Telef.	140.6	+6.5
Allianz Vers	1550xr	+75
BASF	223.5	+0.2
Bayer	221.5xd	−1
Bayer-Hypo	221.6	+5.2
Bayer-Verein	280 xd	+17.5
BHF-Bank	225.1	−2.2
BMW	447	+6.5
Brown Boveri	345	+8.5
Commerzbank	202	−2.6
Cont'l. Gummi	126	+2.5
Daimler-Benz.	855	−1
Degussa	270	+4
D'sche Babcock.	122.5	+1.8
Deutsche Bank	684.0xd	+2
Dresdner Bank	668 xd	−2.0
GHH	159	−0.5
Hochtief	557	+2
Hoechst	222.9xd	−1.2
Hoesch Werke	111	+0.8
Holzmann (P)	475	
Horten	184.5	+1.2
Hussel	285	
Karstadt	232	−1
Kaufhof	249.5	+9
KHD	068.0	−1
Kloeckner	68.2	+0.5
Linde	519	+9
Lufthansa	200	−9
MAN	165	−1
Mannesmann	187.8	+4.2
Mercedes Hld.	740	−5
Metallgesel	267.5	+4.5
Muench Rueck	1,900	+5
Nixdorf	645	+80
Porsche	1401	+151
Preussag	083	+4
Rhein West Elect	177.5	−6.6
Rosenthal	247	+1
Schering	608	+17.5
Siemens	685.5	−1.6
Thyssen	115.6	+1.1
Varta	252	−3
Veba	214	+1.5
V.E.W.	137	
Verein-West	329	
Volkswagen	596	+9

ITALY

June 19	Price Lira	+ or −
Banca Com'le.	03,000	
Bastogi-IRBS	336	
B.I.-Invest	4,150	
Centrale	5,557	
Credito Varesino	4,880	
Fiat	5,650	
Finsider	70.0	
Generali Assicur.	51,300	
Italcementi	43400xa	
La Rinascente	390	
Montedison	1,912	
Olivetti	6,240	
Pirelli Co.	4,275	
Pirelli Spa	2,680	
Snia BPD	5,070	
Toro Assic.	17,500	
do Pref	10,650	

NETHERLANDS

June 20	Price Fls	+ or −
ACF Holding	220	
AEGON	98.5xe	−0.7
Ahold	020.5	−0.5
AKZO	107.5	−0.1
ABN	457.5	−1.5
AMEV	647	−3
AMRO	70	−1
Bredero Cert	172	−1
Bos Kalis Westm.	18.7	−0.1
Buehrmann-Tet.	89.5	−0.5
Calland Hldgs.	52.5	−1.1
Dordtsche Pet'm	175	−0.5
Elsevier NDU	119.8	−0.2
Fokker	187	
Gist Brocades	183.2	−2.5
Heineken	147.8	+0.1
Hoogovens	58.6	−0.9
Int Mueller	40.6	−0.8
KLM	58.0	−0.1
Naarden	47.5	−0.6
Nat Ned Cert	58.7	+0.2
Ned M'd Bank	194	−1.5
Nedlloyd	180	−0.5
Oce Grinten	320.5	+0.5
Ommeren (Van)	28.5	−0.2
Pakhoed	60.7	+0.1
Philips	61.6	+0.6
Robeco	75.7	+0.8
Rodamco	141	+1.7
Rolinco	69	+0.6
Rorento	46.2	+0.0
Royal Dutch	105.8	+0.1
Unilever	345.5	+1.1
VMF Stork	197.5	−0.5
VNU	107.5	−5.0
West Utr Bank	102.7	−1.5

NORWAY

June 20	Price Kroner	+ or −
Bergens Bank	137	
Borregaard	415	−20
Christiania Bank	157	−0.5
DenNorske Cred	142	−1.5
Elkem	122.6	−3.2
Kvaerner	155	
Norsk Data	330xc	
Norsk Hydro	98	−0.5
Storebrand	257	−5

SPAIN

June 20	Price Pta %	+ or −
Bco Bilbao	550	+5
Bco Central	320	
Bco Exterior	198	
Bco Hispano	163	+2
Bco Popular	342	+4
Bco Santander	541	−5
Dragados	141.5	+2
Hidrola	80	+1.5
Iberduero	93.7	+1.8
Petroleos	156.5	+1
Telefonica	120.5	−1.5

SWEDEN

June 20	Price Kroner	+ or −
AGA	115xa	−5
Alfa-Laval	184	
ASEA (Free)	325	
Astra (Free)	400	
Atlas Copco	100	−1
Cardo (Free)	935	
Cellulosa	117	−1
Electrolux B	248	−9
Ericsson	081	−0
Esselte	375	−6
Mo och Domsjo	151 xe	−1
Pharmacia	177	
Saab Scania Free	580	+10
Sandvik	375	
Skandia	890	+4
Skan Enskilda	47.5	−0.8
SKF	207	+1
St Kopparberg	156	−6
Sven Handelsbn	151	+1
Swedish Match	186	+1
Volvo B (Free)	836	+7

SWITZERLAND

June 20	Price Frs.	+ or −
Alusuisse	800	
Bank Leu	3,940	+40
Brown Boveri	1,740	−15
Ciba Geigy	3,045	−50
do. (Part Certs)	2,450	−16
Credit Suisse	9,795	+5
Elektrowatt	2,796	+5
Fischer (Geo.)	895	−5
Hoff-Roche PtCts	90,750	
Hoff-Roche 1/10	0,075	
Jacobs Suchard	6,660xr	+15
Jelmoli	2,355	+15
Landis & Gyr	1,840	+10
Nestle	6,280	+70
Oer-Buehrle	1,540	+10
Pirelli	339	+1
Sandoz (Br)	8,550	+25
Sandoz (PtCts)	1,380	
Schindler (PtCts)	900	+40
Sika	1,500	
Surveillance	4,600	−5
Swissair	1,060	+5
Swiss Bank	432	+7
Swiss Reinsce	11,300	+50
Swiss Volksbk	1,690	+5
Union Bank	4,030	+20
Winterthur	4,150	+50
Zurich Ins	24,995	+25

AUSTRALIA

June 20	Price Aust $	+ or −
ANZ Group	4.48	
Alliance Oil Dev.	1.1	
Ampol Pet	1.90	
Ashton	1.05	
Aust. Cons. Ind.	2.51	+0.01
Aust. Guarantee	2.55	
Aust. Nat. Inds	2.35	−0.05
APM	2.78	+0.08
Bell Group	7.0	+0.15
Bell Res.	6.8	+0.2
Bond Corp Hldgs	1.24	
Boral	5.06	
Bougainville	2.10	+0.02
Brambles Inds	4.66	+0.02
Bridge Oil	2.45	
B.H. Prop	8.18	+0.02
CRA	5.92	
CSR	2.9	
CastlemaineTys.	6.0	+0.1
Coles (G.J.)	5.67	−0.01
Comalco "A"	1.05	−0.02
Consolidated Pet	0.57	+0.01
Costain Aust.	1.6	
Dunlop Olympic	2.34	+0.06
Elders IXL	2.95	−0.02
Energ Res	1.5	

AUSTRALIA (continued)

June 20	Price Aust $	+ or −
Gen. Pro. Trust	2.25	
Hardie (James)	2.5	
Hartogen Energy	2.9	+0.05
Herald W'ytimes	4.15	
ICI Aust	1.2	+0.02
Jimberlana F.P.	0.52	
Kia Ora Gold	0.14	−0.01
Lend Lease	2.02	+0.06
MIM	2.88	
Mayne Nickless	2.95	
Myer Emporium	2.22	+0.22
Nat. Aust. Bank	4.10	−0.03
News	7.2xc	+0.04
Nicholas Kiwi	1.75	
North Bkn Hill	2.34	−0.01
Oakbridge	0.84	+0.01
Pancont'l	1.60	−0.05
Pioneer Conc.	1.72	−0.01
Poseidon	3.57	−0.08
Queensland Coal	1.6	+0.01
Reckitt & Coln.	3.45	
Repco	1.17	−0.01
Santos	6.54	−0.02
Smith (Howard)	4.75	
Thos. Natwide	1.81	−0.01
Tooth	0.89	+0.02
Vamgas	5.95	
Western Mining	5.88	+0.01
Westpac Bank	3.97	−0.03
Woodside Petrol	1.56	+0.02
Woolworths	9.77	+0.02
Wormald Intl	3.69	+0.02

HONG KONG

June 20	Price H.K.$	+ or −
Bank East Asia	24.5	+0.8
Cheung Kong	16.1	+0.5
China Light	15.4	+0.01
Evergo	1.06	+0.1
Hang Seng Bank	46.5	+0.25
HK Electric	7.8	+0.18
HK Kowloon Wh.	5.25	+0.08
HK Land	5.7	+0.2
HK Shanghai BK.	7.7	+0.15
HK Telephone	94	+2
Hutchinson Wpa	24.8	+0.8
Jardine Math	11.3	+0.9
New World Dev.	7.05	−0.2
Orient O'seas	2.15	
Oseas Trust Bk	5.15	
SHK Props	11.9	+0.4
Shell Elect	1.25	
Swire Pac A	28.9	+0.2
TV—B	7.05	−0.1
Wheel'k Mard A.	7.05	−0.05
Wheel'k M'time	1.10	
World Int. Hldns.	1.37	+0.07

JAPAN

June 20	Price Yen	+ or −
Ajinomoto	1,070	−10
Alps Electric	1,480	−10
Amada	895	−17
Asahi Chem	999	+17
Asahi Glass	867	−8
Bridgestone	547	−6
Canon	1,080	40
Casio Comp.	1,510	−80
Chugai Pharm.	1,060	
Citizen	435	−10
Daiei	754	+14
Dai Nippon Ptg	1,110	+10
Daiwa House	677	−1
Ebara	440	+5
Eisai	1,300	−50
Fanuc	7,840	−310
Fuji Bank	1,650	−10
Fuji Film	1,880	−50
Fujisawa	960	−11
Fujitsu	071	−29
Green Cross	2,550	−50
Hasegawa	455	−5
Heiwa Real Est	910	−15
Hitachi	707	−18
Hitachi Credit	1,180	
Honda	1,550	+10
House Food	760	+5
Hoya	1,750	−110
Itoh (C)	453	+7
Ito. Yokado	2,650	−20
Iwatsu	929	−1
JACCS	364	+14
JAL	7,860	−30
Jusco	864	+17
Kajima	321	−8
Kao Soap	835	
Kashiyama	702	−11
Kirin	708	
Kokuyo	851	−39
Komatsu	475	−1
Konishiroku	665	−00
Kubota	380	+10
Kumagai	616	−6
Kyoto	5,050	−30
Maeda Const.	586	+1
Makino Milling	940	−31
Makita	1,000	−10
Marubeni	378	+9
Marudai	631	−14
Marui	1,210	−20
MEI	1,590	−50
M'ta Elec Works	772	−5
M'bishi Bank	1,650	−10
M'bishi	705	+2
M'bishi Elect	595	+2
M'bishi Estate	955	−6

JAPAN (continued)

June 20	Price Yen	+ or −
MHI	330	−9
Mitsui	417	−82
Mitsui Estate	250	−5
Mitsukoshi	552	−16
NGK Insulators	795	−5
Nihon Cement	291	+2
Nippon Denso	1,840	
Nippon Elect	997	−22
Nippon Express	463	−7
Nippon Gakki	1,190	−110
Nippon Kokan	144	−0
Nippon Oil	938	−35
Nippon Seiko	505	−2
Nippon Shimpan	698	+18
Nippon Steel	160	−5
Nippon Suisan	366	−11
NTV	12,000	−500
Nippon Yusen	302	−7
Nissan Motor	212	−4
Nisshin Flour	512	−10
Nisshin Steel	172	−5
Nomura	1,280	+10
Olympus	1,110	−30
Orient Leasing	3,100	−50
Pioneer	1,720	−20
Renown	700	−5
Ricoh	938	+5
Sankyo	1,270	−80
Sanyo Elect	406	−5
Sapporo	466	−5
Sekisui Prefab	721	−6
Seven-Eleven	8,600	+100
Sharp	882	−18
Shimadzu	710	−11
Shionogi	891	−30
Shiseido	1,150	
Sony	5,900	−100
Stanley	790	−00
S'tomo Bank	1,980	+50
S'tomo Elect	743	−81
S'tomo Marine	752	+4
S'tomo Metal	157	−2
Taihei Dengyo	695	+1
Taisei Corp.	965	−1
Taisho Pharm	1,150	
Takeda	860	−5
TDK	4,440	−70
Teijin	487	+2
Teikoku	770	−15
Tokio Marine	960	+9
TBS	905	+7
Tokyo Elect Pwr	0,170	−10
Tokyo Gas	240	−4
Tokyo Sanyo	665	−8
Tokyo Style	989	−14
Tokyu Corp	430	−11
Toppan Print	867	+1
Toray	482	−5
Toshiba Elect	535	−4
TOTO	730	+0
Toyo Seikan	1,050	−30
Toyota Motor	1,220	+90
Victor	1,560	−10
Wacoal	700	−7
Yamaha	685	−15
Yamanouchi	3,000	−60
Yamazaki	786	−29
Yasuda Fire	616	+22
Yokogawa Bdge.	498	+15

SINGAPORE

June 10	Price $	+ or −
Boustead Hldgs.	1.61	+0.01
Cold Storage	2.4	−0.07
DBS	5.8	+0.05
Genting	6.1	+0.05
Haw Par. Bros.	2.9	+0.01
Hong Leong Fin.	2.85	
Inchcape Bhd.	3.55	
Keppel Shipyard	1.54	−0.02
Malay Banking	5.7	
Malay Utd. Ind.	2.45	+0.01
Multi Purpose	0.84	
OCBC	9.05	
OUB	3.10	−0.02
Public Bank	1.42	+0.01
Sime Darby	1.95	+0.02
Singapore Press	5.95	
Straits Trdg.	4.44	+0.04
Tat Lee Bk	2.69	+0.01
UOB	4.06	

SOUTH AFRICA

June 00	Price Rand	+ or −
Abercom	1.65	+0.05
AE&CI	8.1	
Allied Tech	61	+1
Anglo Am Coal	53	
Anglo Am Corp	08.55	−0.7
Anglo Am Gold	172.5	−1.5
Barclays Bank	19.5	
Barlow Rand	11.9	−0.25
Buffels	78.75	−2
CNA Gallo	2.7	
Currie Finance	4.2	
De Beers	10.5	−0.1
Driefontein	50 05	
FS Geduld	60	−1
Gold Fields SA	35	−1.5
Highveld Steel	4.8	−0.15
Nedbank	14.65	+0.25
OK Bazaars	15.05	
Protea Hldgs.	2.45	+0.05
Rembrandt	68.0	
Rust Plat	15.6	−0.15
Salren	16.0	−0.05
Sage Hldgs	10	
SA Brews	8.05	−0.2
Smith (AO)	26.50	
Tongaat Hulet	7.25	+0.25
Unisec	6.05	−0.05

NOTES—Prices on this page are as quoted on the individual exchanges and are last traded prices. § Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

Indices

NEW YORK—DOW JONES

	June 20	June 19	June 18	June 17	June 14	June 13	1985 High	1985 Low	Since Compilation High	Since Compilation Low
Industrials	1,298.37*	1,297.33	1,304.77	1,298.39	1,300.96	1,280.19	1327.28 (6/6)	1184.96 (4/1)	1327.28 (6/6/85)	41.22 (2/7/32)
Transport	635.65*	638.28	643.36	638.66	638.94	625.65	658.83 (6/6)	553.83 (4/1)	658.83 (6/6/85)	12.32 (8/7/32)
Utilities	164.19*	164.55	165.37	164.55	164.60	162.81	164.75 (17/6)	146.54 (4/1)	164.75 (17/6/85)	10.5 (28/4/42)
Trading vol		108.2m	108.9m	82.1m	99m	107m	—	—	—	—

	June 14	June 7	May 31	Year Ago (Approx)
Ind Div Yield %	4.71	4.66	4.65	4.98

STANDARD AND POORS

	June 20	June 19	June 18	June 17	June 14	June 13	1985 High	1985 Low	Since Compilation High	Since Compilation Low
Industrials	206.3	205.62	208.45	205.61	206.44	204.54	211.13 (6/6)	128.24 (4/1)	211.13 (6/6/85)	3.62 (30/6/32)
Composite	186.4	188.63	187.34	186.53	187.10	185.33	191.06 (6/6)	163.68 (4/1)	191.06 (6/6/85)	4.40 (1/6/32)

	June 5	May 29	May 22	Year Ago (Approx)
Ind div yield %	3.71	3.75	3.74	4.16
Ind. P/E Ratio	11.70	11.58	11.64	10.38
Long Gov Bond Yield	10.05	10.60	10.75	13.44

N.Y.S.E. ALL COMMON

June 20	June 19	June 18	June 17	1985 High	1985 Low
108.31*	108.45	108.75	108.23	118.68 (5/6)	100.43 (4/1)

RISES AND FALLS

	June 19	June 18	June 17
Issues traded	2,030	2,028	1,969
Rises	813	980	677
Falls	793	594	852
Unchanged	424	454	440

New York Active Stocks

	Stocks Traded	3.00p.m. Price	Change on Day
ATT	1,859,200	23¾	−⅛
Comw Ed	1,479,300	31½	+⅛
IBM	1,109,900	117¾	−1⅛
Baxter Lab	934,000	16½	−⅛
Digital EQ	895,300	95⅛	−3¼
Mid-So Util	783,200	15	+⅛
Nabisco	729,400	82⅛	unch
Northrop	651,100	59⅞	−1⅞
Bocal CP	616,600	29⅛	+¾
Sony	613,400	15⅛	−⅜

Advances 831 Declines 874

TORONTO

	June 20	June 19	June 18	June 17	1985 High	1985 Low
Metals & Minls	1,861.7	1,887.2	1,888.4	1,888.8	2188.7 (13/2)	1856.8 (4/1)
Composite	2,891.5	2,703.7	2,725.4	2,712.7	2788.1 (5/6)	2348.5 (8/1)
MONTREAL Portfolio	131.58*	132.48	133.70	133.80	136.55 (5/6)	117.06 (4/1)

* Indicates pre-close figure

	June 20	June 19	June 18	June 17	1985 High	1985 Low
AUSTRALIA All ord. (1/1/80)	854.2	851.5	840.2	841.5	904.5 (20/5)	715.5 (7/1)
Metals & Minls. (1/1/80)	515.9	513.7	495.5	496.5	583.8 (20.5)	382.5 (7/1)
AUSTRIA Credit Aktien (2/1/62)	105.88	104.67	105.03	105.73	105.78 (17.6)	85.21 (4 1)
BELGIUM Brussels SE (1/1/80)	2355.39	2535.51	2328.35	2327.26	2384.15 (5/6)	2090.7 (18/1)
DENMARK Copenhagen SE (3/1.83)	185.82	183.10	182.65	181.56	185.82 (20 6)	158.44 (3/1)
FRANCE CAC General (31/12/82)	224.1	223.8	223.2	224.8	233.1 (31/5)	180.5 (3/1)
Ind Tendance (28/12/84)	126.1	125.5	125.1	125.7	130.4 (31/5)	100.1 (3/1)
GERMANY FAZ Aktien (31/12/58)	479.45	475.70	470.02	(c)	479.43 (20.6)	382.59 (3/1)
Commerzbank (1/12.53)	1417.7	1405.5	1390.5	(c)	1417.7 (20.6)	1111.8 (3.1)
HONG KONG Hang Seng Bank (31.7.64)	1542.15	1510.28	1427.08	(c)	1547.86 (17.5)	1220.74 (2/1)
ITALY Banca Comm Ital. (1972)	335.66	337.10	334.28	332.65	337.10 (15 6)	228.56 (2/1)
JAPAN** Nikkei-Dow (16/5/49)	12878.3	12773.5	12741.1	12783.3	12790.5 (30 5)	11545.2 (5/1)
Tokyo SE New (4.1.68)	1010.62	1018.85	1011.57	1012.17	1018.85 (19.5)	915.65 (4/1)
NETHERLANDS ANP-CBS General (1970)	209.5	210.1	209.5	208.7	214.5 (7 6)	185.5 (3.1)
ANP-CBS Indust (1970)	175.8	175.9	175.9	174.2	175.9 (11 6)	147.9 (3.1)
NORWAY Oslo SE (4.1/83)	328.61	328.90	326.55	330.04	345.97 (5 3)	288.15 (2.1)
SINGAPORE Straits Times (1966)	(c)	782.36	781.92	778.65	852.65 (7 3)	764.08 (18 1)
SOUTH AFRICA JSE Gold (28/9/78)	—	1025.8	(u)	1010.2	1140.8 (15 4)	836.1 (11 2)
JSE Indust (28/9/78)	—	970.5	(u)	969.8	978.8 (24 5)	767.1 (7.2)
SPAIN Madrid SE (28/12/84)	106.78	106.45	108.53	107.27	117.81 (4/2)	151.43 (2/1)
SWEDEN Jacobson & P (1/1/58)	1516.47	1517.48	1513.80	1321.45	1488.93 (11/2)	1318.80 (18/6)
SWITZERLAND SwissBank Cpn. (31 12.58)	435.8	434.8	434.1	464.2	438.4 (7.5)	386.7 (8/1)
WORLD Capital Intl. (1/1.70)	—	212.3	212.1	210.8	214.5 (7 6)	184.8 (4.1)

** Saturday June 15: Japan Nikkei-Dow 12,753.38. TSE 1,009.83.

Base value of all indices are 100 except JSE Gold—255.7, JSE Industrial—264.3, and Australia, All Ordinary and Metals—500. NYSE All Common—50; Standard and Poors—10; and Toronto Composite and Metals—1,000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ 400 Industrials plus 40 Utilities, 40 Financials and 20 Transports. c Closed. u Unavailable.

CANADA

TORONTO

Prices at 2.30pm. June 20

MONTREAL

Closing prices June 19

Sales	Stock	High	Low	Close	Chng
23720	Gaz Metro	$11⅝	11½	11½	
14900	MntTrst	$10¼	12	10¼	+¼
15057	NatBk Cda	$20⅝	20½	20⅝	
26496	Power Corp	$18	17½	17½	−⅛
390	RollandA	$20¼	20¼	20¼	
18300	Royal Bank	$30⅝	30⅝	30⅝	−¼
1467	RoyTrstco	$21½	21⅛	21⅛	+¼
1400	SteinbrgA	$40	40	40	+⅛

Total Sales 2,049,994 shares

OVER-THE-COUNTER

Nasdaq national market, 2.30pm prices

Continued from Page 37

Stock	Sales (Hnds)	High	Low	Last	Chng
Vodavi	129	18¼	10	10½	
Voltinf	82	15⅛	15¼	15½	

LONDON

Chief price changes
(in pence unless otherwise indicated)

RISES

Brook St	134	+4
NMW Comp	305	+25
Racal Elect	194	+8
Utd Scient	190	+10

FALLS

Ex 11pc 1990	£98¹³⁄₁₆	−⅜
Ex 12pc 13/17	£116¼	−¾
Appledore (A&P)	315	−35
Argyll Group	298	−10
Bell (A)	258	−10
Bett Bros	54	−4
Brammer	310	−17
BAe	353	−9
Caledonian Off	560	−70
Consgold	530	−13
Falcon Res	73	−9
Hampton Areas	143	−32
Hawker Sidd	424	−11
London Utd	305	−7
Midland	373	−10
Prudential	693	−12
Stead & Simp	203	−12
Westland	90	−30

Prices at 3pm, June 20

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
23½	18	AAR	.48	2.7	14	200	18	18	18	
18¼	9⅝	AGS			12	8	14⅛	13⅝	13¾	+⅛
16½	9⅝	AMCA				8	10⅞	10¾	10⅞	+¼
31½	13¾	AMF	.56	2.7	56	2338	18½	18⅜	18⅜	−⅛
51⅜	50	AMF	pf4.91e	10.		1	49	d49	49	−2½
48⅛	24¼	AMR			10	760	44¾	44¼	44⅜	−⅜
22⅞	16⅝	AMR	pf2.18	9.8		2	22¼	22¼	22¼	
25⅞	22⅞	ANR	pf 2.67	11.		4	23¾	23¾	23¾	+¼
23	10	ANR	pf 2.12	11.		1	19½	19⅛	19½	−½
14¼	7¾	APL				8	8½	8⅜	8⅜	
61⅛	44⅜	ASA		24.1		350	50	49¼	49⅜	−1⅛
27	12½	AVX	.32	2.5	10	1388	13	12¾	12¾	
26⅞	18	AZP	2.72	10.	8	811	u27	26¾	26¾	
57¼	36¾	AbtLab1.40		2.5	16	3128	57	56½	56⅝	−⅜
25⅞	17⅞	AccoWd.50		2.2	17	24	22⅝	22½	22⅝	−⅛
24¾	12½	AcmeC .48		2.9		26	15⅜	15¼	15¼	
10½	7⅜	AcmeE 32b		4.0	10	3	8	8	8	
17½	15	AdaEx 1.92e		11		65	17⅛	17	17	−⅛
20	11⅞	AdmMl .32		2.0	7	80	16	15½	16	+½
18½	8⅝	AdvSys.53t		4.7	18	51	11⅜	11⅜	11⅛	+⅛
41⅛	22⅛	AMD			10	2211	23½	22¾	23	
12¾	8⅞	Advest	.12	1.4		82	8⅝	8½	8½	−¼
14⅝	9	Aerflex			12	25	12¾	12½	12¾	+¼
47	27¼	AetnLf 2.64		2.8	33	2643	46⅛	45⅝	45¾	−⅛

Continued on Page 37

NYSE COMPOSITE PRICES

Prices at 3pm, June 20

12 Month High	Low	Stock	Div	Yld	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close

Continued from Page 36

12 Month High	Low	Stock	Div	Yld	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
34¾	23⅞	PiedA	.23	.9	8	565	33⅛	32	32¾	−¾
34	23¾	PieNG	2.32	7.3	10	13	33¼	33¼	33¼	+¼
27⅞	14⅝	Pier 1			13	18	20⅝	20½	20½	
56⅝	34½	Pilsbry	1.56	2.3	13	311	55½	55¼	55½	−⅛
34	21¾	Pioneer	.24	5.3	5	523	24⅝	24¼	24⅝	
26¼	13½	PionrEl	.11	1.2		21	14	14	14	
44⅛	27¼	PitnyB	1.20	2.7	12	211	44⅜	44⅛	44¼	
80	65½	PitnB	pf2.12	2.4		1	88	88	88	
13¾	8⅝	Pittstn								
15¼	8⅝	PlonRs	.20			94	11¼	11	11	−⅛
13½	7	Plantrn	.18b	1.3	16	550	13¼	12⅞	13¼	+¼
13⅝	3⅞	Playboy		1.9	13	18	6⅜	6¼	6⅜	
22¾	15⅛	PogoPd	.60		8	26	9⅛	8⅞	8⅞	
32¼	24¼	Polarid	1	3.8	31	75	16¾	16½	16¾	
21½	13⅞	Pondrs	.40	3.2	183	514	31½	31⅛	31⅛	−⅛
19⅝	14⅝	Portec	.40	.4	24	1888	11⅛	11	11	−⅛
80½	72¼	Portr	pf3.50	2.3	55	553	17⅞	17⅝	17⅝	−⅛
21⅞	13½	PorGE	1.96	7.0		z150	78¼	76¼	70¼	
24⅞	17½	PorG	pf2.60	9.3	7	444	21¼	20⅞	21	
34⅝	28⅞	PorG	pf4.40	11.		8	23⅞	23⅞	23⅞	+⅛
34⅝	28¼	PorG	pf4.32	15.		23	33⅞	33½	33⅝	+⅛
30⅛	25¾	Potlch	1.56	13.		25	33½	33	33	−¼
33	20	PotmEl	2.16	4.3	12	24	34¼	34	34¼	
46	38	PotEl	pf4.50	6.5	13	858	u33⅞	32⅞	33¼	+¼
40⅝	31	PotEl	pf4.04	13.		z388	45⅛	45	45	
25½	16⅞	Premi	s .80	9.9		z500	u40¾	40¾	40¾	+¾
39	25	Primrk	2	1.8	14	177	19½	16⅝	19½	+¼
20¼	11⅝	PrimeC		3.2	8	156	38¾	38½	38½	
32¼	13⅝	PrimM	s .08		15	1600	18½	18⅛	18⅝	+¼
59⅞	50⅞	ProctG	2.60	.3	27	278	30⅛	29⅞	30	−⅜
16⅝	7¾	PrdRsh	.32	4.8	15	1108	54¾	54⅝	54⅝	+⅛
47¼	33⅝	Proler	1.40	2.1	21	45	15½	15¾	15½	+⅛

[illegible]

12 Month High	Low	Stock	Div	Yld	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
35½	24½	Sage	.52	2.3	13	111	26⅝	26⅛	26⅛	−⅛
22¼	16½	StJoLP	1.72	9.9	7	9	21¾	21⅝	21⅝	
11½	9	SPaul	1.20	11.		51	u11½	11¼	11⅝	+⅛
10¼	3⅞	vjSalant				97	4¾	4⅜	4½	−¼
34½	22⅞	SallieM	.16	.5	15	120	31¼	30½	31	+⅝
54	51	SallM	pf3.99e	7.7		158	52⅛	52⅛	52⅛	−⅜
25⅝	17⅝	SDieGs	2.24	8.2	9	687	27⅝	27⅜	27⅜	−⅛
9¼	6¾	SJuanB	.89e	6.2	11	2019	9¾	9⅝	9⅝	
41	31	Sandr	.80	1.8	18	214	35⅞	35¾	35¾	−⅛

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a–dividend also extra(s). b–annual rate of dividend plus stock dividend. c–liquidating dividend. cld–called. d–new yearly low. e–dividend declared or paid in preceding 12 months. g–dividend in Canadian funds, subject to 15% non-residence tax. i–dividend declared after split-up or stock dividend. j–dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k–dividend declared or paid this year, an accumulative issue with dividends in arrears. n–new issue in the past 52 weeks. The high-low range begins with the start of trading. nd–next day delivery. P/E–price-earnings ratio. r–dividend declared or paid in preceding 12 months, plus stock dividend. s–stock split. Dividends begins with date of split. sls–sales. t–dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u–new yearly high. v–trading halted. vi–in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd–distributed. wi–when issued. ww–with warrants. x–ex-dividend or ex-rights. xdis–ex-distribution. xw–without warrants. y–ex-dividend and sales in full. yld–yield. z–sales in full.

12 Month High	Low	Stock	Div	Yld	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
66½	45¼	Tmec	pf3.87	6.6		22	58¾	57¾	58¾	+1
25¾	19½	TranEx	2.36	10.		364	22⅞	22⅛	22½	+½
13⅛	6½	Tranecn			5	11	9	8⅞	8⅞	−⅛
88	77	TrGP	pf8.64	9.1		z80	95¼	85¼	95¼	+⅛
25¼	20	TrGP	pf2.50	10.		6	25	26	26	−⅛

12 Month High	Low	Stock	Div	Yld	P/E	Sls 100s	High
21½	10¼	Zapata	.84	8.3	20	787	10¼
88	25	Zayre	s .48	.9	18	115	54⅞
80	16⅛	ZenithE			7	562	20⅛
21⅛	15	Zero	s .32	1.8	15	23	17⅞
35¼	22	Zurnin	1.32	3.9	12	313	34½

AMEX COMPOSITE PRICES

Prices at 3pm, June 20

[illegible]

OVER-THE-COUNTER

Nasdaq national market, 2.30pm prices

[illegible]

Continued on Page 35

FINANCIAL TIMES
WORLD STOCK MARKETS

WALL STREET

Restraint as data curbs confidence

THE U.S. Commerce Department's stronger than anticipated estimate of GNP growth in the second quarter cut confidence in an imminent one-point fall in the federal discount rate, *writes Terry Byland in New York.*

A jump in the federal funds rate further restrained trading in bonds while stock prices marked time around recent levels.

At 3pm, the Dow Jones industrial average was down 5.49 at 1,291.89.

The estimated 3.1 per cent rise in GNP for the quarter was at the high end of market predictions and seemed to reduce the chances of early action by the Fed to stimulate the economy. But it was offset by a downward revision of first-quarter growth and by a modest 0.2 per cent increase in consumer prices, indicating that inflation remains dormant.

Both factors sustained hopes that the Fed might still be considering a cut of perhaps half a point in the discount rate, and there was no rush to sell federal bonds or bond futures.

The stock market held steady, with the Commerce Department's statistics buoying hopes that the economy is pulling out of the trough.

The technology sector stood up well to confirmation of poor results at National Semiconductor and to another bout of selling of Digital Equipment stock.

One reason for unease is the expiration today of June options on stock market indices and many individual stocks. Prices have previously moved erratically as options expired and professional traders unwound positions.

Gulfstream Aerospace gained $⅛ to $18⅜ as its acquisition by Chrysler was completed. At $35¼ Chrysler added $⅛, while General Motors added $⅛ to $71 and Ford $¼ to $44⅞.

Defence/aerospace stocks saw some activity after General Dynamics, unchanged at $73¾, offered to the U.S. Air Force a cheaper version of its F-16c jet fighter. Northrop, with sales prospects for its F-20 jet directly threatened, fell $1⅛ to $51 in hefty turnover.

IBM eased $⅝ to $119⅝, but othe r technology issues firmed. Honeywell gained $¾ to $57⅞ and Burroughs $⅛ to $56⅝. But Digital Equipment, second in the field to IBM, plunged a further $2⅛ to $86¼ in heavy trading as Dean Witter Reynolds downgraded the stock. Digital rejected suggestions of production problems with some disc drives.

National Semiconductor, number three in the U.S. semiconductor industry and facing heavy competition from Japan, held unchanged at $11⅜ after disclosing a 32 per cent drop in 1985 profits. Texas Instruments slipped $¼ to $27¼ as investors lost interest in rumours that Ford might make the company its target.

AT&T remained unchanged at $23⅞ but were heavily traded after disclosing plans for a joint venture with Quotron, aimed at providing financial information to securities traders. Quotron added $⅝ to $10⅞.

There was profit-taking in airline stocks after the run-up of the past weeks. United dipped $⅞ to $52⅞, while Pan American gave up $⅛ to $6⅞.

Texaco edged ahead by $¼ to $37½, but other oil stocks remained dull as investors awaited further developments on world oil prices. Exxon shed $⅛ to $51⅞ in brisk trading, while Atlantic Richfield gave up $¼ to $57¼.

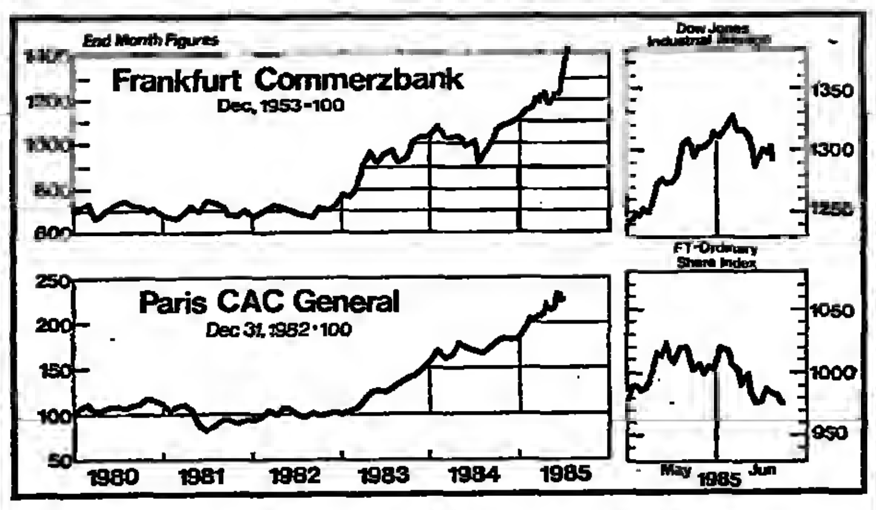
Retail stocks continued to give a cool reception to the federal data indicating that consumer spending remains strong and may be pulling the U.S. out of its economic slowdown. Sears, which is now strongly orientated towards interest-rate prospects, eased $¼ to $37¾, while K mart at $37 lost $½ and May Department Stores $¼ to $55½.

With the market less convinced that the banks would have to cut primes again soon stocks in the money-centre banks edged higher. Bankers' Trust at $69⅞ added $⅞, and Chase Manhattan at $58½ was $¼ better. BankAmerica managed a $⅛ gain at $19.

Among the insurance stocks, General Re was $¾ off at $82 after offering for sale 3m shares at $82.50 each. Morgan Stanley managed the underwriting, and General Re said that, pending application of the proceeds to its insurance business, they would be invested in marketable securities.

In the credit markets, federal funds moved up to 7⅞ per cent at midsession, but other short-term rates held steady. Losses in bonds were extended to about three-quarters of a point, although selling was restrained. Traders were inclined to hedge bets of a reduction in the discount rate before the weekend.

KEY MARKET MONITORS



STOCK MARKET INDICES

	June 20	Previous	Year ago
NEW YORK			
DJ Industrials	1,291.89*	1,297.38	1,131.63
DJ Transport	632.84*	639.28	475.51
DJ Utilities	164.44*	164.55	124.47
S&P Composite	186.00*	186.63	154.84
LONDON			
FT Ord	974.1	982.9	818.1
FT-SE 100	1,276.3	1,284.1	1,035.6
FT-A All-share	617.59	621.05	489.16
FT-A 500	673.83	678.15	533.50
FT Gold mines	452.3	452.3	653.6
FT-A Long gilt	10.56	10.52	10.80
TOKYO			
Nikkei-Dow	12,677.97	12,773.5	10,237.2
Tokyo SE	1,015.6	1,018.8	783.79
AUSTRALIA			
All Ord.	854.2	851.3	653.5
Metals & Mins.	513.3	513.3	425.9
AUSTRIA			
Credit Aktien	103.89	104.67	54.39
BELGIUM			
Belgian SE	2,355.39	2,333.51	—
CANADA			
Toronto			
Metals & Mins	1,881.7*	1,887.2	1,934.0
Composite	2,691.5*	2,703.7	2,232.9
Montreal			
Portfolio	131.58*	132.48	108.69
DENMARK			
SE	193.82	193.12	184.23
FRANCE			
CAC Gen	224.1	223.3	166.8
Ind. Tendance	126.1	125.8	87.4
WEST GERMANY			
FAZ-Aktien	479.43	475.7	345.61
Commerzbank	1,417.7	1,405.3	992.5
HONG KONG			
Hang Seng	1,542.15	1,510.28	931.05
ITALY			
Banca Comm.	333.60	337.10	209.89
NETHERLANDS			
ANP-CBS Gen	208.8	210.1	151.6
ANP-CBS Ind	173.8	175.0	120.1
NORWAY			
Oslo SE	323.61	326.8	245.48
SINGAPORE			
Straits Times	closed	782.36	819.23
SOUTH AFRICA			
JSE Golds	–	1,025.0	964.8
JSE Industrials	–	970.9	952.8
SPAIN			
Madrid SE	106.79	108.43	86.63
SWEDEN			
J & P	1,316.47	1,317.48	1,447.94
SWITZERLAND			
Swiss Bank Ind	435.8	434.4	358.2
WORLD	*June 19*	*Prev*	*Year ago*
Capital Int'l	212.8	212.1	175.0

GOLD (per ounce)

	June 20	Prev
London	$318.50	$325.25
Zürich	$318.25	$325.85
Paris (fixing)	$320.49	$323.42
Luxembourg	$322.00	$325.50
New York (Aug)	$316.00	$324.60

* *Latest available figure*

CURRENCIES

(London)	U.S. DOLLAR June 20	U.S. DOLLAR Previous	STERLING June 20	STERLING Previous
$	–	–	1.278	1.307
DM	3.073	3.02	3.93	3.945
Yen	248.3	247.45	317.5	323.0
FFr	9.375	9.21	11.965	12.035
SwFr	2.5725	2.529	3.2825	3.31
Guilder	3.4655	3.406	4.435	4.455
Lira	1,962.5	1,930.0	2,508.0	2,519.0
BFr	61.85	60.85	79.1	79.5
C$	1.366	1.3645	1.7445	1.779

INTEREST RATES

	June 20	Prev
Euro-currencies (3-month offered rate)		
£	12⅛	12¼
SwFr	5⅝	5¼
DM	5⅝	5⅝
FFr	10½	10⁷⁄₁₆
FT London Interbank fixing (offered rate)		
3-month U.S.$	7 ⁹⁄₁₆	7⅝
6-month U.S.$	7¹³⁄₁₆	7⅞
U.S. Fed Funds	7⁵⁄₁₆*	7¼
U.S. 3-month CDs	7.20*	7.00
U.S. 3-month T-bills	6.80*	6.73

U.S BONDS

Treasury	June 20* Price	June 20* Yield	Prev Price	Prev Yield
8½ 1987	99²⁹⁄₃₂	8.60	100	8.51
11¾ 1992	108 ⁵⁄₃₂	10.047	108²⁹⁄₃₂	8.93
11¼ 1995	106²⁷⁄₃₂	10.135	107¹⁹⁄₃₂	10.03
11¼ 2015	107¹³⁄₃₂	10.437	108 ⁵⁄₃₂	10.36
Corporate	**June 20***		**Prev**	
AT & T	Price	Yield	Price	Yield
10⅜ June 1990	101¾	9.95	102	9.85
3⅞ July 1990	81½	8.60	81⅞	8.50
8¾ May 2000	84¾	10.90	85	10.80
Xerox				
10⅞ March 1993	100⅜	10.80	100⅜	10.50
Diamond Shamrock				
10⅝ May 1993	100	10.70	100¼	10.60
Federated Dept Stores				
10⅞ May 2013	94⅞	11.30	95⅛	11.20
Abbot Lab				
11.80 Feb 2013	105⅜	11.20	105⅞	11.10
Alcoa				
12¼ Dec 2012	104⅛	11.80	104⅞	11.70

FINANCIAL FUTURES

CHICAGO	Latest	High	Low	Prev
U.S. Treasury Bonds (CBT) 8% 32nds of 100%				
Sept	77–01	77–28	76–29	77–22
U.S. Treasury Bills (IMM) $1m points of 100%				
Sept	92.96	93.08	92.92	93.06
Certificates of Deposit (IMM) $1m points of 100%				
June	92.65	92.73	92.65	92.77
LONDON				
Three-month Eurodollar $1m points of 100%				
Sept	92.08	92.22	91.95	92.29
20-year Notional Gilt £50,000 32nds of 100%				
June	106–27	107–07	107–05	107–06

COMMODITIES

(London)	June 20	Prev
Silver (spot fixing)	484.50p	488.85p
Copper (cash)	£1,124.50	£1,115.50
Coffee (July)	£2,007.00	£2,003.50
Oil (spot Arabian light)	$26.725	$26.725

LONDON

Abbey Life debut takes centre stage

SUPPORT for blue chips came late in London after news of a higher-than-forecast U.S. "flash" estimate GNP second-quarter figure.

Stocks responded to move up from their lower levels reached in early trading when the market looked distinctly uneasy. The FT Ordinary share index recovered from its earlier poor performance to end 8.8 down at 974.5.

The only splash of colour was in the Abbey Life corner. Opening dealings produced a premium of 55p on the offer-for-sale price of 180p, but eventually it succumbed to the malaise and settled at 232p, after 230p.

Gilts faltered on the stronger U.S. dollar and lost about ⅜.

Chief price changes, Page 35; Details, Page 34; Share information service, Pages 32–33

AUSTRALIA

A LATE rally in Sydney sent prices higher as local investors placed large buy orders.

Two stocks, listed on the board for the first time, showed some movement. New Zealand's Fletcher Challenge opened at A$2.28 and rose 2 cents, and the Advance Bank, formerly the NSW Building Society, opened at A$1.40 but eased 4 cents to A$1.36.

Heavy buying in Myer sent it 22 cents higher to A$2.22, with almost 2m shares changing hands.

Among resource stocks, BHP added 2 cents to A$6.18, Bell Resources 20 cents to A$6.80, CSR was steady at A$2.80 and CRA ended unchanged at A$5.92 after dropping 8 cents during the day.

Castlemaine Toobey put on 10 cents to A$6.00, and Dunlop gained 6 cents to A$2.24.

HONG KONG

A SHIFT in emphasis from banks to property in Hong Kong contributed to an increase in momentum and higher prices across the board.

Confidence seems to have returned after the takeover of Overseas Trust Bank earlier this month. Pressure eased on banking stocks, and Bank of East Asia added 80 cents to HK$24.50, Hang Seng Bank gained 25 cents to HK$46.50 and Hongkong and Shanghai Bank put on 15 cents to HK$7.70.

In properties, Cheung Kong rose 50 cents to HK$18.10, and Sun Hung Kai added 40 cents to HK$11.90.

● Singapore was closed for a religious *holiday.*

CANADA

GOLDS continued to fall in Toronto yesterday where most stocks drifted lower in light trading.

Campbell Red Lake moved C$¼ lower to C$28⅛, Dome Mines was C$⅜ off at C$9⅝ and Echo Bay was down C$½ at C$18⅛.

Actively traded issues included Inco, down C$⅛ at C$17½, Argcen Holdings C$¼ off at C$18¼ and Dome Petroleum 5 cents lower at C$2.65.

In oils, Ranger lost 20 cents to C$4.05, Gulfstream gained 20 cents to C$1.45 and Dome Canada drifted C$¼ lower to C$6⅞.

Banks, utilities and industrials eased in Montreal.

SOUTH AFRICA

AN EASIER trend developed late in Johannesburg as gold shares felt the effect of a lower bullion price and a firmer U.S. dollar.

Buffels shed R2 to R76.75, Anglo American Gold was R1.50 lower at R172.50 while Dreifontein remained unchanged at R50.25.

Mining financials also slid, with Anglo American Corp 70 cents down at R28.55 and Gold Fields SA R1.50 lower at R33.

Diamond share De Beers dropped 10 cents to R10.50 while Nedbank added 25 cents to R14.85.

TOKYO

Profit-taking depresses blue chips

PROFIT-TAKING hit popular large-capital issues in Tokyo yesterday, depressing trading in blue-chip and biotechnology-related stocks, *writes Shigeo Nishiwaki of Jiji Press.*

The Nikkei-Dow market average dropped 95.62 points to 12,677.97. Declines outnumbered advances 579 to 264, with 100 issues unchanged.

Volume weakened from 821.91m the previous day to 683.17m shares, reflecting a lull in the uptrend of large-capital stocks on expectations of lower interest rates.

Corporations and institutional investors were wary of precariously high-priced large-capital issues. By Wednesday, Mitsubishi Heavy Industries had this month gained Y46, Nippon Yusen Y35 and Nippon Steel Y21.

Nippon Steel eased Y3 to Y169 yesterday on the largest volume of 32.36m shares traded. Mitsubishi Heavy Industries, third busiest with 25.98m, fell Y9 to Y330 and Nippon Yusen Y7 to Y309.

In contrast, Sumitomo Chemical, fifth with 20194m shares, gained Y5 to Y274, and Showa Denko Y10 to Y245.

Blue chips declined on small-lot selling, with Fanuc plunging Y210 to Y7,240, Sony Y100 to Y3,800, Nippon Kogaku Y60 to Y1,101, Hitachi Y18 to Y707, and NEC Y23 to Y997.

Biotechnology-related pharmaceuticals were sold heavily. Sankyo was down Y80 to Y1,270, Dainippon Pharmaceutical Y70 to Y3,560 and Shionogi Y39 to Y891. However, Asahi Chemical rose Y17 to Y999 on buying by bargain hunters.

Nippon Oil, a main gainer on Wednesday, shed Y23 to Y966 following the yen's slide against the U.S. dollar.

Non-life insurances firmed on a wide front due to investor interest in their off-the-book assets. Taisho Marine and Fire climbed Y22 to Y588 with the ninth largest volume of 12.22m shares followed by Yasuda Fire and Marine Y22 to Y615 with 11.91m. Sumitomo Marine and Fire added Y4 to Y752 and Tokio Marine and Fire Y2 to Y950.

Trading houses drew popularity on expectations of a lower interest payment burden because of sagging interest rates. Mitsui and Co, fourth busiest with 22m shares traded, advanced Y26 to Y417, and Mitsubishi Corp, sixth with 13.72m shares, Y2 to Y705.

Keisei Electric Railway was the second most active stock with 28.79m shares changing hands, but the stock closed unchanged at Y446 after fluctuating wildly.

Bonds weakened on light liquidation selling by some securities companies, triggered by the overnight weakness of the U.S. Treasury bond market. Investors were generally awaiting the announcement of the flash estimate of U.S. gross national product for the second quarter.

The yield on the benchmark 7.3 per cent government bond due in December 1993 rose from 6.425 per cent to 6.445 per cent.

EUROPE

Foreigners add fuel to record run

GENERAL strength pervaded trading on European bourses yesterday with Frankfurt again steering a rapid course forward, propelled by international interest.

The Commerzbank index reached a peak for the third consecutive day, adding 12.40 to 1,417.70. During this week's trading sessions the index has advanced 51.90 and 62.70 since the beginning of the month.

Foreign buying ignited the opening rally and was fuelled by domestic sources. However, demand narrowed later, and the prices of many blue chips closed off their peaks.

In a session of sharp price fluctuations and heavy volume, Porsche claimed the spotlight. The group's shares jumped DM 131 to DM 1,401 following a buy recommendation from a major West German bank.

The rest of the automotive sector was mixed, with BMW rising DM 10.50 to DM 447 and VW DM 9 to DM 326, while Daimler-Benz eased DM 1 at DM 835 and Mercedes Holding DM 3 to DM 740.

Wednesday's support for banking stocks failed to maintain its momentum, with Deutsche Bank the lone improver, adding DM 2 to DM 564.50. Of the losers, Commerzbank fell DM 2.50 to DM 202 and Dresdner DM 2.20 to DM 228.

Karstadt fell DM 1 to DM 232 on news of poor annual earnings. Other retailers were marginally firmer, with Kaufhof adding DM 2 to DM 249.50 and Horten DM 1.50 to DM 184.50.

Bonds were little changed. The Bundesbank sold DM 47.3m of paper, compared with sales of DM 183.3m on Wednesday.

Paris moved forward across a broad front during active trading, although late selling dragged prices marginally lower.

Trading in Galeries Lafayette was suspended at midsession, and the shares ended FFr 76 higher at FFr 650 in a generally stronger retailing sector. Printemps was another advancer, improving FFr 6 to FFr 284.

Peugeot rose another FFr 6 to FFr 401, while Michelin eased FFr 10 to FFr 1,030.

Price movements among drink companies were slight, with Perrier rising FFr 8 to FFr 558 and Pernod FFr 5 to FFr 773, while Moët-Hennessy closed steady at FFr 1,945.

Bullishness remained during trading in Zurich, with advances holding a clear lead over losses at the close.

British and U.S. investors again made their presence felt, issuing buying orders for a wide range of leading industrial stocks.

Nestlé was at the fore, jumping SwFr 90 to SwFr 8,220, while Schindler climbed a further SwFr 200 to SwFr 4,550.

Interest-rate considerations also gave support to banking issues. Union Bank firmed another SwFr 20 to SwFr 4,030, and Crédit Suisse put on SwFr 5 to SwFr 2,725.

Brussels ended mixed, with trading in Petrofina attracting considerable market attention. The company's shares eased BFr 80 to BFr 5,660 following further investor concern about the future of a North Sea rig in which it holds an interest.

Chemical stocks staged a recovery after recent heavy losses. UCB jumped BFr 100 to BFr 5,280, and Solvay gained BFr 30 to BFr 4,405.

Arbed firmed BFr 40 to BFr 1,775 on reports of a possible dividend and this strengthened trading in other steel stocks.

Late buying emerged to lift Amsterdam off its low point although prices were generally down on the session.

Royal Dutch/Shell firmed 80 cents to Fl 194.40, while another leading international stock, Unilever, rose another 90 cents to Fl 345.30.

Milan's steady rise came to a halt under the weight of profit-taking, while Madrid moved marginally forward.

Stockholm closed mixed, with the Veckans Affarer index down 0.9 to an equal low for the year of 451.40.

FINANCIAL TIMES SURVEY

YUGOSLAVIA

Inflation has been aggravated by the strain of channelling resources into exports to cut the country's hard currency debt. Determined efforts by Mrs Milka Planinc, the Prime Minister, to persuade parliament and the republics to embark on economic reforms have, however, had some success.

Realists look ahead

By David Buchan

SELDOM CAN a country's ills be so succinctly summed up as in the case of Yugoslavia today: inflation. Inflation in retail prices, rising at 80 per cent over the past 12 months, the highest in Europe, inflation in politicians' words about what to do, and inflation, to some extent, in expectations abont how the outside world can help.

The fabric of Yugoslav society has withstood five years of austerity, partly because the measures were not as austere as they seemed. A fall in real industrial wages of 25 per cent since 1980 produced a drop of only 5 per cent in personal consumption, as resourceful Yugoalavs drew on asvings, moonlighted in aecond jobs, wives went out to work, and foreign currency was creamed off Western tourists.

It withstood the turnaround of a hard currency $2.2bn deficit on current account in 1980 to a $865m surplus last year, though the strain for the country of persistently channelling resources towards export rather than domestic markets has aggravated inflation by creating shortages et home. The question now is how long it can withstand accelerating inflation.

Yngoslavia's ruling League of Communists had no doubt about the burning issue of the day when it held a central committee plenum in mid-May to debate the topic of inflation. There were, senior party officials said, "harsh polemics" at the plenum. This was hardly surprising, given the universal acknowledgement that inflation, by distorting and widening the differentials between groups of people and regions of the country, strikes at the heart of Yugoslavia'a Communist and federal society.

Nor was it unnatural that some politicians should point the finger at an external scapegoat—the International Monetary Fund and its lower profile sister, the World Bank, which bave insisted, as the price of their loans, on steadily higher interest rates, a rapidly depreciating dinar and steep increases in domestic energy and transport prices. These measures all add, without doubt, significantly to the inflation rate.

Price controls

These finger-pointing politicians find it doubly galling that the IMF opposes the one simple, or simplistic, answer: direct price controls. To them, the fund and the foreign creditors that shelter behind it are like Hilaire Belloc's doctors, "who said, as they pocketed their fees, there is no cure for this disease."

A majority in Yugoslavia's political establishment, even those who concede that their economic problems lie not in the stars, but in themselves, are disappointed not to find greater "understanding" abroad of Yngoslavia's peculiarities.

The realists among them recognise that Yugoslevia's assiduous cultivation of the Third World is of no help, not even in organising a joint front of debtors against creditors. They are still chagrined that, despite Prime Minister Milka Planinc's recent visit to Washington, and her forthcoming trip to Moscow, East and West do not seem inclined to renew the special aid gestures they made in 1983-84.

Arguments can be, and are, made to Western governments that they would be foolisb to rock the stability of this etrategically key part of the Balkans in pressing too hard for debt repayment. The same arguments do not wash with Western banks. Ironically, it is Western governments, not the banks, whicb have resisted Yugoslavia's request for multi-year rescheduling.

Western banks have their own disagreements with Belgrade over debt rescheduling spreads, which bave so far prevented their reaching a new deht reacheduling accord.

The poor performance of the economy et the start of this year has not made it easier to reacb agreement. Bad winter weather hit industrial production, which only slowly turned up to show a rise in output of 3.1 per cent in the first four months, compared with January-April 1984. Extra oil imports helped swell hard currency imports by 11.6 per cent over the same period, while hard currency exports were 4.6 per cent down on the first four months of 1984. The upshot was e significant trade deficit of $376m in the first quarter.

All this lent credence to last month's parliementary statement by Mr Radovan Makic, the national bank governor, that Yugoslavia faced an unpleasant choice of cutting imports or seeking a further drop in reserves. In fact, reserves fell by some $400m in the first two months of the year, but since March they have stabilised and slightly increased.

Prime Minister Milka Planinc. Her visits to both Moscow and Washington do not guarantee renewed special aid to ease Belgrade's debt

The alarm bell Mr Makic sounded was clearly intended for Yugoslav, not foreign, ears, and was designed to shake local politicians out of any complacency that, after 1984's good external permormance, Yugoslavia was out of the woods. Concern is certainly valid on the part of Yugoslavia's creditors, but allowing for the traditional tendency for Yugoslav hard currency earnings (partly from tourism) to pick np in the second half of the year, the position is not yet serious.

Inflation, however, is far less susceptible to any quick turnaround. The result of tha central committee plenum was to buy a little political time, with a government order, under the new 1985 prices law, that certain "unjustified" price increases should be rolled back to their February level.

This rollback, affecting 10 per cent of prices, will reduce the inflation rate by only 3 per cent, according to senior party economists. But tbey say that it sbould have an important psychological effect in putting companies on notice that the government may take this kind of partial action again at any time.

Measures

It may, however, be 1990 before inflation comes down to e "normal" level says Mr Nikola Stojanovic, the ranking economist in the LCY presidency. What is "normal?" A rate that does not undermine the government's economic measures or create social tensions, he says.

The problem is then how to get through the next five years — to get from here to there. The leadership says that, on the one hand, it cannot behave in capitalist fashion, closing factories and sacking workers. On the other hand, it will not resort to artificial Soviet-style price regimentation that stifles supply.

Rather, with selective use of price rollbacks, it will soldier doggedly on with measures to create a unified market, a better flow of dinar capital and foreign exchange, and aome real financial discipline.

It will be a long march. The current inflation rate is the single expression of all the inefficiencies in the Yugoslav economy, or as one IMF official put it, "if you have got a croooked spine, you will get backache."

The economy is bent out of shape in many ways, all to do with its fragmentation along the lines of the country's eight republics and provinces and many more sub-regions. Steel plants, oil refineries, sugar mills and other basic plants duplicate each other and work far below capacity. Companies in one republic have very few branches in other republics and frequently prefer to set up joint ventures with a foreign partner than one from another region of the country.

Little capital circulates among the country'a 172 banks. Local industrial and financial monopolies are the norm, not the exception. The rail system is operated by 365 separate companies. Examples of "balkanisation" such as these are legion.

To unscramble this will be a long haul. In the meantime, inflation takes its uneven toll. According to Mr Milos Sindjic, director of the Federal Institute for Social Planning, workers in the big cities have suffered most, from cuts in their real pay, and increases in rents and utilities. Those in the countryside or in small towns, particularly down the Adriatic coast, have fared better, with supplementary income from farming and tourism.

The national average employment in a four member family is 1.6. Bnt Slovenes, already the richest, are better protected because they have a very higb rate of female employment and therefore more breadwinners per family. At the bottom end of the scale, in Kosovo, very few women are wage earners, a social babit that compounds poverty and high male unemployment. It is thus small wonder that, as Mr Momcilo Blagoveanin, director of the federal regional fund, admits, regional income differences are widening, not narrowing. This is despite the fact that close to 3 per cent of gross national product is channelled every year into the four poorer regions: Bosnia, Montenegro, Macedonia and Kosovo.

Yet, there is a surprising toughness to the fabric of Yugoslav society. The phenomenon of the "IMF riot" has not touched Yugoslavia. Strikes are infrequent, brief and almost totally concerned with parochial issues. Words, rather than deeds are generally the medium of protest.

Some of these words, particularly if they have carried any echo of nationalist agitation, have got people into troubla recently with the anthorities.

Zeal

Catholic and Muslim religious zeal also seems to worry leaders in Croatia and Bosnia, respectively. But the well-publicised, and at times farcical, trial of six Belgrade intellectuals, which ended in January with three of them getting one- to two-year sentences (now being appealed against), is described in retrospect by the information minister as an "awkwerd episode" because it shook Yugoslavie's tradtional friends on the West European left.

Mrs Planinc herself can take credit for some of this toughness. For three yeara she has doughtily tried to cajole, persuede, harangue — freqnently using the threat of her resignation—her party, parliament and republics to bite the bullet on economic reform. She has had some success. She faces a new test in trying to re-establish a proper foreign exchange system by requiring companies to sell not just some of, but all their bard currency earnings to the inter-bank market.

Her native republic of Croetia and Slovenia—the two most export-orientated regions — oppose her. They will be a difficult combination to beat, particularly as Mrs Planinc is entering the "lama duck" phase of her four-year term. With only a year to go, her resignation becomes less awesome a threat.

IN THIS SURVEY

Yugoslavia 2

Growth of 4 per cent this year may be a hard target to reach, says **Aleksandar Lebl**

Industrial output wavers

INDUSTRIAL OUTPUT in Yugoslavia increased by 5.5 per cent last year, although an increase of 3 per cent was planned.

This year, according to the plan, it should grow by 4 per cent but the start was poor and it is questionable whether the target will be reached. In the first quarter of this year output was 2.1 per cent higher than in the same quarter of 1984, and by end-April that increased to 3.1 per cent.

In April compared to the same month of last year producer prices of industrial goods were 85.7 per cent higher. Exports were lagging behind plans, one reason being that prices they could fetch abroad are lower than at home.

Thus there is less motivation to export, in spite of the rapid depreciation of the dinar, and also in spite of the inventories of finished products, especially consumer goods, rising as the purchasing power of the general public has been falling.

The government has been trying to change this rather gloomy picture. Measures have been approved to increase production for export. Other measures aim to stop companies from building up inventories and increasing prices in spite of lower demand.

That is still possible because they get credits from the banks for financing inventories, and are reasonably sure that losses incurred by them will be covered from reserve funds of their communes and republics, resisting attempts by the federal government to end that practice.

Prerequisites for industrial output to pick up exist. Yugoslav production facilities are relatively well equipped with modern machinery, for whose import a dozen billion dollars was spent in recent years, contributing to the high debt. There is much spare capacity. Machines work only 1,840 hours a year on average when they could be used up to 8,000 hours a year. There is an average of 1.5 shifts in factories and that could go up to five. The workforce is skilled. Workers already employed could be far more productive, and new workers can be recruited from among the unemployed, educated and trained young, who on the average have higher skills than those holding a job.

Lastly, higher imports of raw and production materials this year make it possible to increase production, and higher imports of equipment to improve technology and eliminate bottlenecks.

Outlets

The main problem, supposing solutions are found to motivate producers to export, is finding outlets for the increased industrial output. The Yugoslavs have been complaining about protectionism in their main Western markets, especially the EEC, and are trying to obtain better access there.

At the end of last month they submitted their proposals for the new commercial agreement to be negotiated later this year in lieu of the agreement which expires soon. This will take into consideration the effects of the enlargement of the Community. They want either free access or higher quotas for some 90 products which amount to close to 50 per cent of Yugoslav exports to the EEC.

Without waiting for negotiations for the new trade agreement they would like transitional solutions with immediate effect for meat, wine, tobacco, fruit and vegetables. The EEC is not very inclined to oblige and intends to negotiate with Yugoslavia within the framework of negotiations with other Mediterranean countries.

In the period of its rapid industrialisation, Yugoslavia has developed some sectors so that they not only cover its own needs but can export a large part of their output. Such industries are metal working, electrical and electronics, woodworking, textiles, footwear, chemical and pharmaceutical sectors to name a few.

Companies in these are all eager to sell abroad. Some are more successful than others, and more capable of weathering inflation and other difficulties that Yugoslavia has been facing.

One such company is Minel of Belgrade, which manufactures industrial boilers and other equipment. Minel, number three in its field in Yugoslavie exported some 30 per cent of its output last year and plans to export more this year, with 65 per cent going to the hard currency market and the rest to the clearing area.

Last year hard currency exports earned $26m, while this year $31-32m is expected. Like many other companies in Yugoslavia, Minel has bought licences abroad and concluded joint ventures with foreign firms.

Right now it is awaiting the approval of a joint venture contract with technology transfer and countertrade contracts with Combustion Engineering of Ottawa. If that goes through, which depends on winning a large contract in Yugoslavia, countertrade worth $150-160m would be generated over the next 12 years.

ZDRAVO PEPKOVIC, president of TLM Sibenic (left) with Peter Preston, of Davy McKee of the UK, project manager for TLM's newly-opened aluminium plant in the Adriatic town of Sibenik. TLM, established in 1937, was the first producer of aluminium in the Balkans and is now part of the Boris group.

The new plant, which adds 50 per cent to TLM's capacity, was opened by Mr Ante Markovic, Prime Minister of Croatia. Among a total of 14 facilities are e 10,000-tonne annual capacity continuous strip caster, 16,000-tonne thin strip rolling mill (pictured above), 6,000-tonne foil rolling mill, and a 3,000-tonne con-foil plant.

The bulk of the imported equipment has been supplied by Davy McKee a familiar name to Yugoslav businessmen since the group has been active in Yugoslavia for several decades and has done more business there than any other British company.

It has supplied equipment for the iron and steel works in Skopje, Macedonia, for the steel rolling mill of the Metallurgical Combine at Smederevo, and for the tin-plate plant of the Zorka factory in Sabac, both in Serbia, for the Kutina Fertiliser Factory at Kutina, Croatia. It has also entered joint venture and long-term co-operation agreements with Yugoslav companies.

Daring plan for jet fighter

THE DECISION by Yugoslavia to build its own supersonic fighter aircraft is daring, yes; but it is also a realistic and correct one, according to Air Force General Mateja Andjelković when asked whether that decision announced recently, was too courageous—meaning unrealistic.

Designing and building the supersonic fighter is the most ambitious project in the long-term development programme of the Yugoslav Air Force, which runs to the end of the ceotury. Other projects include helicopters, some other aircraft, missiles, electronic and other equipment, all of advanced design and using the most sophisticated technology.

Gen. Andjelković, another YAF general, Anto Tus, as well as the YAF commander, Gen. Slobodan Alagić, consider that programme, and especially the construction of the supersonic fighter, crucial not only for the armed forces but for the Yugoslav economy as a whole, because the technological development involved should narrow the gap separating Yugoslavia from the most developed countries.

Whatever progress is made in the military sector will spill over into other sectors, they believe. That may be true, since Yugoslavia has no separate military factories but rather the so-called special purpose production units in existing civilian factories, and there is some osmosis between the two.

Yugoslavia's press has been highly confident that the country will have its supersonic fighter soon. Foreign observers in Belgrade are more sceptical, however. They consider that the tasks facing Yugoslav researchers, designers and manufacturers are huge, and that it will take a long time—perhaps a decade—before production of the airframe could start.

Then there is the problem of finding a suitable engine, which would have to be imported and later perhaps manufactured under licence. Rolls-Royce, which supplied engines for the subsonic YAF fighters, Eagle and Gull, and then sold the licence, is one likely candidate; the other is Pratt and Whitney.

From an economic point of view, the project's success would save large amounts of foreign exchange that the country has been spending to import supersonic aircraft (Migs). Possibly some could even be earned in view of the fact that Yugoslavia is a big exporter of armaments and military equipment, mainly to the developing countries.

It remains unknown how much research and preparatory work was done before the intention to build a supersonic aircraft was publicised. Taking into account the determination of the Yugoslav military to echieve whet they, supported by the state leadership, bave decided is necessary, it should not be surprising if at the next military parade, in 1995, Yugoslavia's first supersonic fighters break the sound barrier over Belgrade.

A. L.

Gas-oil group recovers

INA IS Yugoslavia's largest company by value of turnover, and its major oil and gas producer, refiner and processor. Its fortunes were brought very low by e system that made it, and its bankers in its home city of Zagreb, financially responsible for buying most of the country's oil.

But, with the National Bank since 1982 assuming this financial charge, with its past debts rescheduled, and with a better national pricing for oil and gas prodncts, INA is on the mend.

Last year Yugoslavia imported 10-11m tonnes of oil and produced 4m tonnes itself. It imported 3.8bn cubic metres of gas (from the Soviet Union) and produced 2.2 bcm itself. INA is responsible for the major part of this production. INA's own oil production is, at best, static — 3m tonnes last year, down from the 1983 peak of 3.2m tonnes.

Mr Stepan Lisjak, an INA vice-president, says that offshore Adriatic exploration with Texaco, Agip and Chevron has yet to turn up any significant quantities of oil. But gas has been found in the northern Adriatic and, together with more onshore exploitation financed partly by the World Bank, INA gas output should rise from 1.2 bcm last year to 1.5 bcm this year and to 3bcm by 1990.

INA has 15m tonnes refinancing capacity, half of Yugoslavia's total, and less than 50 per cent of it is used at present. But INA's specialised downetream activities, ranging from petrochemicals to fertilisers, aromatics and plastics, are in somewhat better ehape. Though Dow Chemical pulled out of its joint venture with INA a couple of years ago, INA has completed two parts of that once-mammoth project: plants making polyethylene and vinylchloride monomer.

Profitability has been helped by new rules since mid-1984 which allow refineries almost automatically to pass on to customers and consumers the ever-higher dinar cost of oil imports. As a result, Yugoslav petrol prices are now only slightly lower than those in Western Europe.

It is also declared government policy to equalise the price of imported gas (currently dearer) with domestic gas (currently cheaper) by the end of 1986. This is due mainly to pressure from the World Bank which insisted on higher prices in return for its financing of gas development, but it also pleases INA.

Higher energy prices is a principal reason, Mr Lisjak believes, why households and industry saved enough during the past, hard winter to avoid power cuts.

David Buchan

Construction's 'Ministry'

INGRA DESCRIBES itself as "the foreign ministry" to the Yugoslav civil engineering and construction industry. This is a little grandiose, but it aptly describes the foreign representation, marketing and negotiating role which the Zagreb-based company performs for its 41 member companies, concentrated in Croatia but also spread throughout the country.

These 41 companies employ a total of 170,000 workers, and according to Mr Otto Varady, a senior INGRA executive, have, through the medium of INGRA, carried out a total of 500 contracts worth some $5bn over the past 30 years. The work has been mainly in constructing industrial and power generating plants and civil works such as building roads and bridges.

INGRA is an example of the curious phenomenon that Yugoslav companies often find it easier to work together abroad in temporary joint ventures than at home. But INGRA is a legally distinct company, with separate statutes and finances, and signs contracts on its own account.

The 250 people on its payroll are divided into two separate specialities. These comprise, first, the marketers who seek out potential business, approach member companies te see which can do what work best and then advise them how to bid. Once the contract is won, INGRA project managers—the engineers—move in, and supervise the work which is done in INGRA's name.

After a steady volume of new business of $200-300m in 1981-3, business turned down last year to about $100m in new contracts, partly due to recession at home. But INGRA executives are hoping this year will see new contracts above the 1983 peak of $300m, with such sectors as power generation, agro-industry, cement and brick, and petro-chemicals showing signs of growth.

D. B.

Joint ventures eased

THE NEW joint venture legislation passed late last year has been received with epproval by potential investors as a step in the direction of liberalisation. But some of its provisions bave met with criticism, or at least doubts as to their actual meaning and impact.

Eager to attract foreign capital in the form of joint ventures rather than loans and credits, the Yugoslav government has started an explanatory campaign in several countries, including the U.S., West Germany and Italy. Now it has prepared a brochure which explains the new conditions and various facets of the legislation.

The most controversial condition has been Article 8 which regulates, or rather limits, the borrowing for joint ventures to the amount of equity. This does not refer to borrowings by contracting parties to fund their equity in whatever form—cash, equipment and the like.

Several pages of the official commeot deal with that and if nothing else the whole issue is much clearer now, although the principle has not been altered that the share of borrowed funds has to be what the law says, even if the economics would justify a higher share. Still, it appears that even in that field the new legislation is less restrictive than it seemed at first.

The new law has taken care of the bulk of criticism the old law was subject to. Now there is no limit to profits, and profit transfers and the repatriation of capital have been made easier, the tax burden has been alleviated and there is no ceiling to foreign equity share.

In the six months since the law was passed, the government agency in charge of approving and registering joint venture contracts, the Federal Committee for Energy and Industry, has received 23 applications. Of these, it approved 10 new ventures and 10 amended old contracts, and three applications for new contracts are still being processed.

Explained

Total equity is 10.5bn dinars ($39m), the share of foreign equity being 32 per cent, or 3.4bn dinars ($10.5m). This means that the foreign equity is less than one third, end that the average new joint venture is small.

That has been explained by the short time elapsed since the change aod inadequate information. But the true reason for the lack of greater foreign interest may elso be the presant difficult economic situation of Yugoslavia, which makes foreign capital cautious.

Joint veotures are now largely insulated from adverse effects of legislative and regulatory changes, and even of economic policy measures. The foreign party has more say and the procedure for approving joint venture contracts has been simplified.

There will also be more changes in related fields, such as industrial property, technology transfer, foreign exchange, foreign trade—especially the import of equipment and raw materials for joint ventures—tax (although it is not clear why developed and under-developed regions are supposed to apply the same rate of taxation).

Proposed legislation on customs-free zones provide for special treatment of joint ventures.

Under preparation is legislation introducing some new possibilities in tourism (where joint ventures are now possible) such as, for example, foreigners being able to buy rights for five to 30 years' use of apartments in tourist resorts, or moorings in marinas.

Lastly, legislation will be amended to allow the establishment of joint banks with foreign partners. At least one such bank, with Arab capital, has been waiting for this change to take place so that it can start operating in Yugoslavia.

Minel is worth mentioning as an illustration of the readiness and eagerness of Yugoslav companies to search for partners with whom they could approach foreign markets. They are willing to enter long-term industrial and commercial co-operation, joint venture agreements and any other form of joint business which is in the mutual interest.

A. L.

Yugoslavia 3

Economy picks up after shock in winter

FOR A long time, the Yugoslav economy has really picked op in terms of export and hard curreocy earnings (tourism, especially) only in mid-year. However, the start of 1985 was worse than usual, the start of 1984 better than usual, and the contrast between tha two startling.

In convertible currency transections, the merchandise trade deficit widened from $138m in the first quarter of 1984 to $376m lo the first quarter of 1985, the surplus on invisibles dropped some 14 per cent to $154m, and the current eccount balance thus swung from small surplus in the first qoarter of 1984 of $42m to a large deficit of $222m in January-March this year.

The bad 1985 start came as a shock after last year's good performance, in which hard currency exports surged ahead by 9 per ceot in nominal terms and about 14 per cent in real volume terms (due to e 5 per cent decline in export prices), and the currency account surplus rose to a handsome $865m.

Most of the deterioratioo is ascribed by officials to the bad 1984-85 winter which oecessitated higher oil imports and hit industrial production oy disrupting transport of people and goods. But it has also been accompanied by a further spurt in inflation.

Slowly the economy has picked itself off the floor agaln. Industrial output, which in January was only 1.1 per cent above the January 1984 level, was by April 5.5 per cent above the same level a year earlier; the increase for the first four months was 3.1 per cent above the same period of 1984.

Hard currency exports, down in January by 20 per cent oo January 1984, were by April 13 per cent up on April 1984, with the decrease for the first four months only 4.6 per cent on January-April 1984.

After a record monthly 10 per cent increase in January in industrial producer prices—which the International Monetary Fund takes as its benchmark measurement of Yugoslav inflation—inflation steadied, but did not diminish. Producer prices in January-April of this year were 74 per cent above the level in the same period of 1984.

Clearly, the government and its foreign creditors are counting oo, and hoping for, further improvement in the second half of 1985, based on the five main policy goals agreed with the IMF:

● Dinar depreciation to maintain export competivity. Tha government is committed to an exchange rate policy which at least oeutralises the difference between domestic inflation and price rises in those of its main Western trading partners.

In the first two months of this year, this meant devaluation of the dinar of 10.8 per cent against a basket of Western currencies. Between 1980 and 1983 Yugoslav prices were rising about four times as fast as the average in the industrialised West; since 1984 the differential has grown bigger

● Restrictive mooetary policy to contain domestic demand. As in previous IMF programmes, the federal authorities have undertaken to keep growth in the mooey supply and bank credit below that in oominal gross national oroduct.

However, there remain several reasons why central bank monetary policy is less effective in Yugoslavia than in most other countries. One factor is that Yugoslavs (individuals and companies) have sizeable bard currency holdings, whose value in dinar terms has risen as the dinar has fallen.

Another factor undermining central bank policy is the vast quantity of corporata promissory notes, or inter-company IOUs, in circulatioo (by one estimate they amount to one third of the money supply). A third is that loss-making companies can usually draw on "reserve funds" set up by their republics, in order to keep going if they run out of credit from their local bank.

● Real interest rates above, oot below, the inflation rate. This proved the one serious bone of contention wheo Yugoslavia came to negotiate with the IMF for a oew one year standby arrangement to run until March 31, 1986. Uoder its 1984-85 IMF programme, Belgrade was committed to gradually raising interest rates, so that by April 1 1985 the rate on three-month time deposits would be one percentage point ebove the average of the past three months producers prices.

As that date approached, the government took fright, and in the event managed to persuade the Fund to agree to a formula keying interest rates to an average of producer prices in the previous three months and those estimated for the coming three-month period.

● Meeting Yugoslavis's foreign financing needs, estimated by National Bank officials at $3.1bo in 1985, by a combination of new loans and debt repayment rescheduling. The governmeot is counting on Western banks rolling over $1.5bn in principal they are owed this year, on Western government credit agencies rolling over $500m, and on oew loans of $365m from the IMF, $350m from the World Bank, and $385m in new supplier credits from trading partners.

A questionmark still hangs over agreement with the commercial banks, which has been held up by disagreement over interest rates and Yugoslavia's desire to re-negotiate e lower interest rate on the 1983 and 1984 debt accords it has already signed.

● An increase in official reserves (foreign exchange plus gold) from $2.1 bo at end-1984 to $2.3 bn at end-1985. Yugoslavia's reserves usually take a dip downwards in the first half of the year, but this spring with higher hard currency imports and lower hard currency exports, they took a sharp drop, falling to $1.6-1.7 bn at the end of Febraury. Since then, they have stabilised and alightly increased.

As for non-official reserves, or bard currency in the bands of companies, the first-quarter drop in exports has aggravated the hard currency shortage under the present foreign exchange law. This requires companies to surrender 54 per cent of their hard currency earnings to pay for national defence, imports of energy and other vital raw materials, and various federal and repoblican public services.

That portion of the remain-46 per cent which companies do not need for their own imports, or do not owe to their manufacturing partners, is supposed to be sold on to the inter-bank foreign exchange market.

In practice, companies tend to board any surplus currency io their own bank accounts. The Planinc government has proposed reviving the nearly-dry foreign exchange market by abolishing foreign currency bank accounts for companies, (but not for individuals) and requiring companies to sell 100 per cent of their curreocy earnings to their local bank, which in turn puts it on the inter-bank market.

Companies selling foreign currency would have the right to re-purchase the same amount, but at the prevailing rate. Steady depreciation of the dinar means that re-purchase would always be dearer.

The proposed foreign exchange law is opposed by Croatie and Slovenia, the most successful and heavily-involved hard currency earners and traders.

The new law, even if it wins approval in the Yugoslav parliament, would come into effect only in January 1986. But in the meantime, it is vital that Yugoslavie resolves the dilemma of how to combine export incentives with a freer and fairer allocation of foreign exchange inside the country.

David Buchan

Yugoslav Pattern of Trade in 1984

Yugoslavia's external finances

	($m) 1st qtr '85	*
Total inflows	2,524	(−7)
Merchandise trade	1,292	(−10)
Services	488	(+3.4)
Remittances	700	(−6.2)
Interest	44	(−4.3)
Total outflows	2,746	(+2.8)
Merchandise trade	1,668	(+5.2)
Services	250	(+3.3)
Withdrawals	360	(−13.9)
Interest	469	(+10.1)
Trade balance	−376	
Current account balance	−222	

* Pecentage change to 1st quarter of 1984 in brackets.

Source: National Bank

Vital cash links with the West

LIKE THE BOY hero in Kipling's book Kim, Yugoslavia has striven to be "the little friend of all the world"—frieodly with all, but allied to none. Saodwiched between Nato end the Warsaw Pact, it has takeo wise refuge in neutrality between East and West, and sought to preach the gospel of oon-alignment among the nations of the Third World.

This platonic ideal has become harder to live up to in the barsher mid-1980s. Yugoslavia has found itself pulled by its economic crisis into closer links with the West. Welcome debt relief or rescheduling by Western creditors has brought unwelcome policy cooditions imposed through the medium of the International Monetary Fund.

Pleading its strategic geopolitical importance and economic incapacity, Belgrade has to leao to some extent on Western government support, io the form of special credits organised (io 1983-84) by the Reagan administration—some of whose policies, in central America and the Middle East, or on Star Wars and nuclear rearmament, are strongly disapproved of by Belgrade. However, deep political suspicions remain of the Soviet Union, grateful though Yugoslavia is for the vital energy and raw materials it gets from Moscow.

The East-West arms race makes it both harder for Yugoslavia, the poorest of Europe's oeutrals, to keep pace and more important for it to be self-reliant. Yet self-reliance on home-built weaponry becomes more difficult the higher Yugoslavia seeks to climb up the ladder of military technology.

Contacts

Yugoslav diplomats work ever harder, without the high national profile that Tito provided, and are spread ever thinner, with personnel cuts in their foreign service, to maintain a network of Third World contacts that are increasingly irrelevant to their country's pressing economic problems.

Yet, with the recent change of leadership io neighbouring Albania, non-alignment seems as important as ever in this part of the Balkans. Mr Enver Hoxha was for 40 years a constant in Yugoslavia's foreign policy. Thorn in the Yugoslav flesh though he was, particularly in stirring nationalist sentimeot among Yugoslavia's ethnic Albanians in Kosovo, Hoxha was always his own man, independent and indeed isolated from everyone.

He had, for instance, publicly promised never to let Albania be used as a stepping stone in any outsida power's move against Yugoslavia. Inevitably his death in April raised, at least briefly, a question-mark over the cootinuance of this policy.

Policy planners in Belgrade, paid to worry about the future, note that Albanie would be just as valuable as a Soviet submarine base as it was in the 1950s. They also add the ironic footnote that, though Albania in practice left the Warsaw Pact as long ago as the early 1960s, the Warsaw Treaty was recently renewed until the year 2015, simply by an extra protocol, in such a way as to leave Albania nominally in the original treaty.

"Our interest is that Albania stays independent, master of its own destiny — and this seems to be the case under Ramiz Alia," said a senior Yugoslav diplomat last month. Mr Alia, the new Albanian leader, seems to be following the Hoxha line of truculent indepeodence from both the "great Satans," the U.S. and the Soviet Union, despite tha latter's diplomatic condolences on Hoxha's death which were most undiplomatically rejected by Tirana.

However, Albania's new overtures towards some of its neighbours, notably Greece and Italy, have not encompassed Yugoslavia, and are oot likely to until while Kosovo remains such a bone of contention between the two countries.

There seems little ground for compromise. Yugoslavia, or Serbia to be more precise, regards Kosovo as the cultural and historic heart of Serbia, while Tirana regards the Yugoslav province as pure Albanian territory (which increasingly it becomes, as the ethnic Albanian majority there increases year by year).

But, if Albanian leaders continue the sort of statements about Kosovo that they made at the Hoxha funeral rites, political relations will remain chilly and static.

Bulgaria is another oeighbour of which Yugoslavs still harbour some suspicions as, in Tito's graphic phrase, one of those foreign ravens with long beaks ready to pick off a piece of Yugoslavia. Here, the piece in question is the Yugoslav republic of Macedonia.

The refusal of Bulgaria (and for that matter Greece) to recognise Macedonians as a distinct nationality, and therefore, in Yugoslav constitutional theory, warranting a separate republic of their own is an old story and irritant to Yugoslavs. But the recent Bulgarisation of ethnie Turks inside Bulgaria has re-awakened Yugoslav complaints about Bulgaria's treatment of its ethnic Macedonian minority.

Equate

Yugoslavia has also taken offence at the way the Bulgarian media, on the occasion of the 40th anniversary of the end of the Second World War, has tended to equate the role of the Bulgarian Army, until 1944 e German ally, with that of Tito's partisans.

In the same way, Yugoslav feathers have been ruffled by senior Soviet officials, including Marshall Viktor Kulikov, the Warsaw Pact Commander-in-Chief, putting Yugoslavia's role in the war on a par with Hungary, Romania and Bulgaria, all of them for a whila Nazi allies. But Mr Mikhail Gorbachev himself smoothed this over by a tactfully respectful reference to Yugoslavia'a wartime cootribution at the May 9 Red Square parade.

These arcane historical sensitivities, however, pale besida Yugoslavia's current need to maintain a broad range of ties with the East, particularly the Soviet Union. It needs reasonable political relations with Moscow (not difficult, except at such times as the 1979 invasioo of Afghanistan) to balance ties with the West.

It needs Soviet military hardware (such as the T-72 tank it makes under licence or the Koni-class frigates it buys) to balance arms purchases from the West. It needs—and this will be tha focus of Prime Minister Milka Planinc's first official visit to Moscow this summer—the energy and raw materials such as iron ore which it can get on regular barter terms only from the Soviet Union.

The Soviet Union has helped Yugoslavia in recent years, perhaps to match Western government assistance. When Prime Minister Nikolai Tikhonov visited Belgrade a couple of years ago (the visit that Mrs Planinc will soon be reciprocating) he promised extra oil shipments. The difficulty is that Yugoslavia wants to do just what Moscow bas told its own East European allies to stop doing—reserving top quality manufactured goods for hard currency sale in the West and bartering second-rate products for Soviet raw materials and energy

Yugoslav trade planners say that, while continuing to draw one-third of total Yugoslav imports from the Soviet bloc, they want by 1990 to decrease tha percentage of Yugoslav exports going to socialist countries from 47 per cent in 1984 to 38 per cent in 1990. Yugoslavia has e clear interest in buying as much as possible oo a clearing loss and selling as much as possible for hard currency—but to Moscow it may look like trying to get something for nothing.

Like a metronome, tilting first one way and then the other, the precursor to Mrs Planinc's planned Moscow trip was her visit in late May to Washington. Again, her interests with the Western superpower were multifarious: to seek reassurance in contineed U.S. strategic interest in Yugoslavia's well-being and stability, to elicit interest in the U.S. supplying an engine for the supersonic fighter that Yugoslavia intends to build, but above all to seek understanding and maybe some assistance for Yugoslavia's economic problems.

Western governments seem unlikely to repeat the special trade credit package they organised for Yugoslavie in 1984. The most that Yugoslav diplomacy can probably hope to achieve is to persuade Western governments to agree to the multi-year debt rescheduling that Belgrade has requested, bot which Western treasuries and finance ministries have so far resisted.

A particular focus of diplomatic activity in 1985-86 will be renegotiation of Yugoslavia's five-yearly trade and financial agreements with the EEC. The current accords run out at the end of next month, but have been extended for a further year.

Mr Milan Predojevic, the Assistant Trade Minister, claimed recently that Yugoslavia had a "moral right" to ask for better treatment from the EEC with which it runs a yearly $1bn deficit. But, he added, Yugoslavia was realistic enough to be satisfied with only "symbolic" improvement in the current difficult world economic climate.

David Buchan

Prospects for the country's very varied regions are examined on this and the next page

Changes awaited in development aid for regions

THE GOVERNMENT of Mrs Milka Planinc has decided to propose to Parliament that *there should be no change* in the forthcoming five-year period on the categorising of Yugoslav regions by their stages of development—which determines their levels of aid.

Three constituent republics—Bosnia and Herzegovina, Macedonia and Montenegro—and the Antonomous Province of Kosovo, which is within the Repnblic of Serbia, will contiune to have the status of underdeveloped regions receiving eid from the Yugoslav community in the 1986-90 period as well.

Croatia, Slovenia and the Antonomous Province of Vojvodina, also within Serbia, will be considered developed, whila the status of Serbia Proper, which insists it is somewhere in between, has been left open.

Two types of financial aid are availahle for areas granted undeveloped status. One is for economic developmeot. All republics and provinces have to set aside 1.83 per cent of the social product (similar to the GNP) generated in the socialised sector of the economy. That is allocated to the underdeveloped areas in two main forms: through a development fund (Federal Fund for Financing Accelerated Development of Economically Underdeveloped Republics and Autonomous Provinces) and through joint ventures between companies in developed and underdeveloped regions.

Over the next five years, new forms of development assistance will be arrived et through taxation, import regulation, education, the training of personnel, and so on. The ideas are many but actual decisions will be made later this year.

Share

On the eve of each five-year period agreements have to be reached as to which areas are underdeveloped; what is the share of each underdeveloped area in the total aid; and the ratio between direct aid from the Development Fund and resources to be invested in the form of joint ventures (if the level agreed is not reached by any region it has to pay the difference into the Fund).

For the current, 1981-85 period, allocations from the Fund are as follows: Bosnia and Herzegovina, 27.4 per cent; Macedonia, 19.4 per cent; and Montenegro, 9.7 per cent.

Kosovo, by far the least developed, receives 43.5 per cent, which is e lot more than its share in territory, population or by any other measure. Allocations are made on the basis of a number of criteria but the decision is a political one.

In the 1981-85 period, the share of Kosovo's social product to be set aside for economic development aid has been set at 1.83 per cent, with half of that to be in the form of joint investments. While the *overall rate has had few oscillations* over the years, the share joint investments should have has been steadily increasing (It was 20 per cent in 1976-80), although it has not been reached.

Thus, in the 1981-84 period that half of the aid should have amounted to 108bn dinars ($410m). In that same period 532 contracts on joint investments were signed worth 273bn dinars, in which the share of outside resources was 78bn dinars, of whicb some 60bn dinars were paid in. That means that about 77 per cent of planned resources were actually pooled.

The share of the social product to be allocated for development aid in 1986-90 has not been determined yet. On the other hand proposals bave been made to cease the practice of giving direct aid from the Development Fund and bave all of it in the form of joint investments. The main reason given is that when companies decide on investments they are more rational and economical than wben decisions are made by bureancrats.

In addition to economic development aid, funds are also supplied from the federal budget for financing social services in underdeveloped regions. In 1981 that amounted to 0.81 per cent of the social product of Yugoslevia with the provision that it would be gradually reduced by 0.03 percentage points a year. Thus it now amounts to 0.69 per cent.

However, that reduction does not apply to Kosovo, which receives aid in many other forms as well.

There have been opinions that the wbole development aid policy should be changed to assist those really in need of aid, and not whole republics and provinces as is now the case, where one is either developed or underdeveloped with no possible combination of the two.

Thet has been particularly resented by Serbia, whose development rate has been steadily declining below the Yugoslav everage without however satisfying criteria for underdevelopment status.

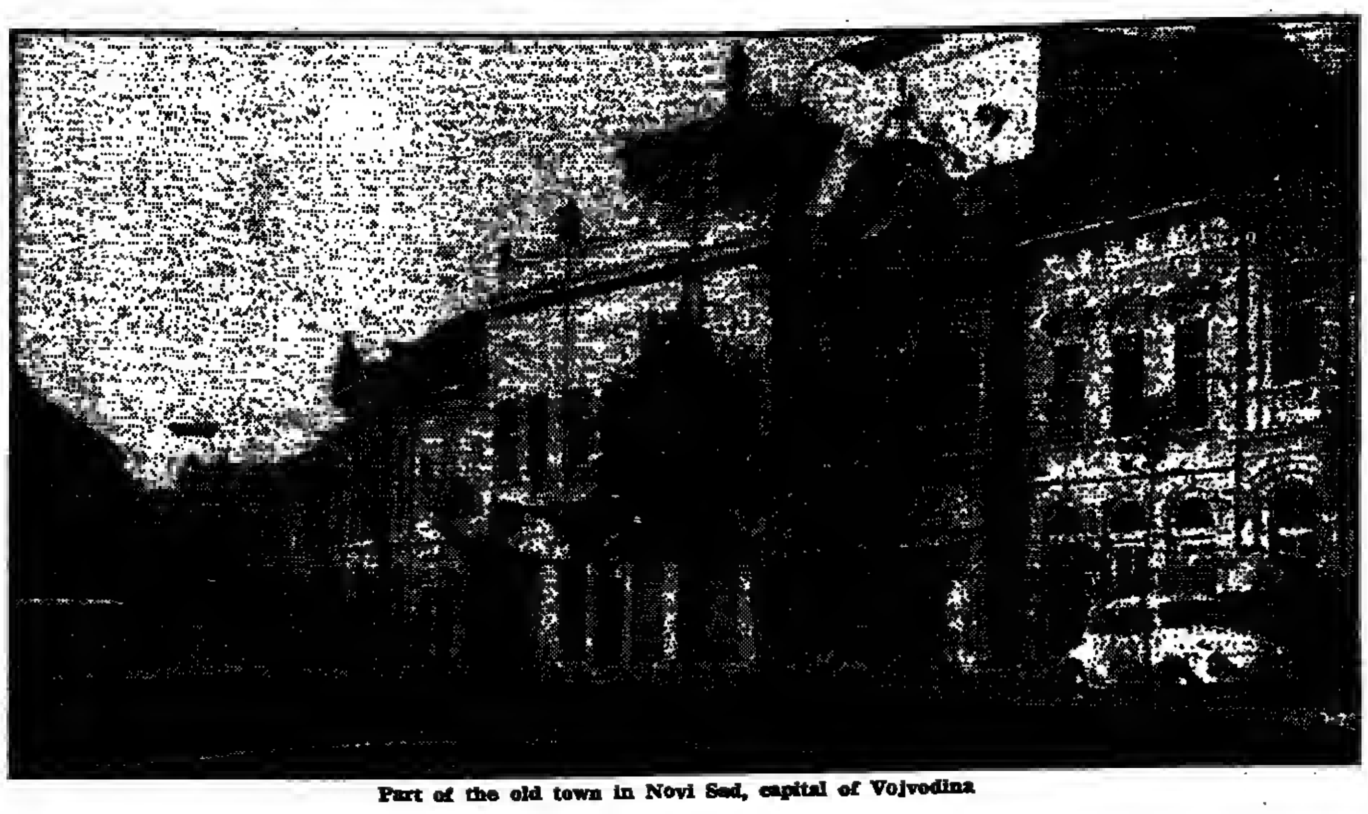
Serbia has vast underdeveloped areas and if communes were taken as units being entitled to aid at the federal level, it would receive at least half of the total aid (all republics, including the richest, Slovenia, have their own development funds for their underdeveloped communes, but that is a separate issue).

With the federal government taking its stand for the 1986-90 period, which is likely to be approved by the federal parliament, changes, if any, will have to wait at least another five years.

In spite of all the efforts and large amounts of money transferred to the underdeveloped region, the gap between them and the developed ones, except perhaps in the case of Serbia, has been widening in absolute terms. In relative terms, however, the situation has markedly improved except in Macedonia.

In 1966-83 Bosnia and Herzegovina increased its social product from 69.1 to 73.6 per cent of the Yugoslav average, Montenegro from 71.2 to 78.8 per cent, and Kosovo from 34 to 38 per cent. Macedonia's social product, which in 1966 was 70 per cent of the Yugoslav average, dropped to 66.6 per cent in 1983.

Aleksandar Lebl



Part of the old town in Novi Sad, capital of Vojvodina

Province with full powers

VOJVODINA: This arable region is very productive but faces government restrictions on food and energy exports which could raise much-needed hard currency.

VOJVODINA IS the flat, fertile and multi-ethnic province that borders Hungary and Romania. As in the case of Kosovo to the south, it is an antonomous province of the republic of Serhia.

Being a province, it lacks a flag and coet of arms and has fewer delegates in the federal assembly, and one representative instead of two for republics, in the federal party presidency.

But for all other purposes, its powers are those of e republic. "Vojvodinans are master of their own bouse," says Mr Zivan Marelj, president of the provincial council.

The province's polyglot composition reflects its historical position on the edge of the Hepsburg empire's border with the Ottoman empire, e tumultuous region into which Hapsburg rulers brought settlers from all parts. Today the 2.1m population is made up of 54 per cent Serbs, 18.9 per cent Hungarians, 5.3 per cent Croats, 3.4 per cent Slovaks, 2.3 per cent Romanians, 2.1 per cent Montenegrins, 8.2 per cent who simply identify themselves as Yugoslavs, and 5.1 per cent others, including some with roots as far eway as the Ukraine.

Before the 1939-45 war, Vojvodina was also bome to the largest group of Jews in Yugoslavia and also to some 310,000 ethnic Germans of whom only 5,000 are left.

According to Yugoslavia's post-war constitutional theory, Vojvodina does not warrant being made e republic because its nationalities all have larger fellow ethnic majorities or nation states elsewbere, and given that it was to be e province, it was logical and politically inevitable to link It with Serbia, from where e narrow majority of all Vojvodinans stem.

Unlike Kosovo, there is, Mr Marelj says, no real sentiment for republican status "because no one can think of a good reason to change."

The economy is rooted in agriculture, petrochemicals and chemicals, capitalising on the fact that the province's 22,000 square kilometres is 60 per cent arable and underneath lies some oil and gas. Known as Yugoslavia's breadbasket, the province produces some 5m tonnes of maize and 1.8m tonnes of wbeat a year, about 40 per cent on co-operative farms.

It has the largest "socialist" farming sector in Yugoslavia—700,000 hectares out of a total 1.6m hectares arable land—because It had a number of large private estates taken over at the end of the war. From hydrocarbon reserves, Vojvodina produces about 1.2m tonnes of oil and 1bn cubic metres of gas, with only neighbouring Croatia producing more.

These two sectors of the Vojvodina economy save Yugoslavia ebout $1bn a year in import substitution, Mr Marelj says, and because of this, there are restrictions on energy and food exports. Bnt he openly admits that Vojvodina is a frustrated exporter; it would like to sell abroad to get the hard currency that other, less-restricted regions are so stingy in passing on to Vojvodina.

Mrs Slobodanka Berisavljevic, vice-president of Vojvodjanska Banka, the province's main financial institution and wife of a former ambassador to London, puts the province's total hard currency debt at $1.4bn, or about 7 per cent of the country's total debt, compared to the province's 11-12 per cent share of gross national product.

Support

Nonetheless, the province has had to request special permission last year, and probably again this year, to export some of its hard currency goods.

Because, quite clearly, the present foreign exchange system does not suit it, Vojvodina has no hesitation in supporting the new law proposed by the federal government which would require all hard currency earning companies to surrender their export proceeds to the inter-bank market. 'The present law does not provide for the position of Vojvodina as an import substituter—so we agree with the changes," Mr Marelj says.

However, the province's premier disagrees with the federal government's rapid depreciation of the dinar and raising of interest rates as prescribed by the International Monetary Fund. He disagrees, not with the goals of adjustment, but with its pace.

"We must reconsider some IMF policies. For instance, Western loans have been put into Vojvodina investment projects, many of them good ones. But they are made unprofitable by high interest rates."

Nevertheless, Mr Marelj is still very keen on more Western direct investment in Vojvodine joint ventures, particularly in biotechnology to exploit the province's food and chemical processing base and in particular from the UK. He cites figures showing that of the 100 world leaders in biotechnology, 18 are British, and says Vojvodina already has two "brilliant" experiences of joint ventures with the UK—one is Dunlop-Fedip at Becej making flexible hoses and the other is Crvenka at Vrbas, involving United Biscuits.

David Buchan

Zivan Marelj: keen on Western investment

Giant canal in use

VOJVODINA HAS one of Yugoslavia's greatest essets, which for lack of funds has not been completed and thus does not yield all it potentially could. It is the Danube-Tisa (or Tisza as spelled by the Hungarians)-Danube Canal which, starting near the border with Hungary, cuts through the province and ends near the border with Romania.

Relatively few people lived in the vast marshes of Vojvodina until after Austria-Hungary won the area from the Ottomans for the last time at the end of the 17th century. Colonisation started and proceeded for two centuries.

In addition to Serbs, Hungarians and Romanians already living there, Germans (Swabes), Slovaks, Ukrainians and other peoples settled, and even some French and Spaniards. Numerous drainage canals were built and connected into larger systems but that did not solve the longstanding problem of floods.

Another problem in Vojvodina is its semi-arid climate (it also has the only European desert). Every few years there is little rainfall and, with very high summer temperatures, that causes barvest shortfalls. Thus it was decided after the 1939-45 war to resolve all the problems of drainage and irrigation once for all by constructing the giant Danube-Tisa-Danube system.

In the 35 years since the work began, some 130m cubic metres of earth were excavated—more than for the Suez canal. The basic canal network totals 930 km with 15,000 km of ancillary canals, and numerous other features have also been constructed including locks, dams and bridges.

The cost has totalled hundreds of millions of dollars but it has been worth it—flooding has been considerably reduced. However, shortage of funds did not allow construction of the last element in the system—irrigation facilities, which would increase food production.

According to some foreign estimates, Yngoslavia, meaning largely Vojvodina could produce enough food for lts 23m people and for another 60m abroad. The best way of doing this would be to activate the D-T-D system by extending irrigation to another 100,000 bectares of land. At present some 150,000 hectares are irrigated throughout Yugoslavia, or 2 per cent of its arable land compared to close to 30 per cent in Bulgaria, 22 per cent in Romania, and 5 per cent in Hungary.

However, the resources needed are beyond the capabilities of Vojvodina or even Yugoslavia at the moment. It has been estimated that such work would cost some $2,000 per hectare, or e total of $200m at 1984 prices. Yields would then increase by 1.3m tonnes for maize, 200,000 tonnes for wheat, 1.3m tonnes for sugar beet, and large quantities of fodder crops and vegetables could be grown. In addition, 50,000 cattle could be added to the present stock.

One way to finance the irrigation project is to find foreign investors, in the form of joint ventures or other forms. There have been exploratory talks with some potential European and Middle East partners, and managers of the D-T-D system are optimistic.

The government of Vojvodina, on the other hand, is less interested in increased food production than in downstream processing of agricultural raw materials which could generete more foreign exchange.

A. L.

Farmers hard put to meet food targets

INFLATION IN Yugoslavia, which measured by retail prices reached 84 per cent in the 12 mooths ending last May, would have been even higher had not prices in the "green market" where individual farmers sell their fruit, vegetables and dairy products, been the main stabilising factor.

It is perhaps the only market in the country where supply and demand determine the price. With supply more or less the same and with falling real weges reducing demand, prices could not go up by very much.

What has been good for town dwallars however is not good for tha farmers, or for the country as a whole in the long run. Farmers have to pay steeply-rising prices for all inputs, such as farm machinery, fertilisers and other chemical agents, and for industrial consumer goods. Unable to increase their prices by a comparable amount they sell at a loss, which may discourage them from producing as much as they could.

That would be a heavy blow to all of Yugoslavia's plans and projections including the balance of payments. There would be less agricultural output for export (planned foreign exchange inflow from that source amounts to $1.5bn this year) and more need for imports.

Already it is doubtful that the 1985 plan for egriculture will be realised. It forecasts an increase in production of 2.5 per cent compared with 1984, which was an exceptionally good year with output 4 per cent higher than in 1983.

Late spring

In Yugoslavia, also because of climatic factors, bumpar crops rarely occur in a row.

The plan calls, for example, for 6m tonnes of wheat, 12m tonnes of maize and 1m tonnes of sugar.

Last year, however, winter wheat was sown on 200,000 ha less than planned, which means 1m tonnes of wheat less. This year spring was also late and the conditions under which farmers work have not changed. Therefore it is uncertain what tha harvest will yield.

An additional problem has been tha late announcement of guaranteed prices for agricultural products. Because of this farmers could not decide on time what and on what area to sow.

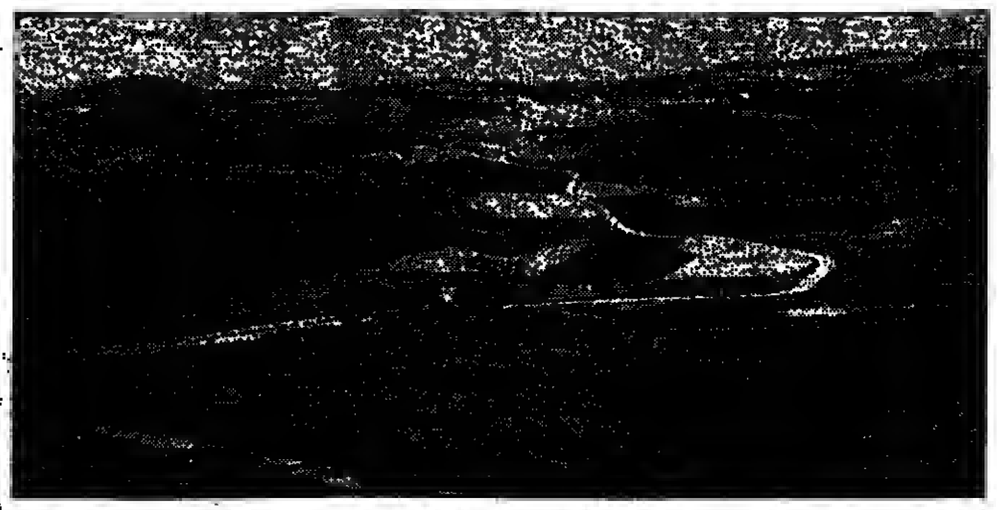
Agriculture in Yugoslavia has been proclaimed e priority sector which should be given financial and other support from the government. Unfortunately, thet has not translated into adequate action and it still struggles with many complex and difficult problems.

Meat could serve as an illustration. With falling demand at bome and abroad and falling prices, farmers have to sell live animals et a heavy loss. That has forced them to reduce the breeding stock, which could result in e near catastrophe in the future. Financial resources to buy meat for stocks are inadequate, and there is not enough storage space.

Consumers enjoy low prices at the moment but the day will come soon when maat will be in short supply and prices go up beyond what consumers can pay.

Yugoslav farmers are very resilient. They are used to hard times but their resilience should not be over-estimated—times hava changed. Once the poorest section of the population, they have scented the "good life."

They bavc been acquiring farm machinery, often beyond what they actually need, TV sets, household goods and cars. They have new bouses and equipped them well, not so much for themselves but to keep their sons and daughters at the farm.



Farmland in Bosnia. Farmers have to pay steeply rising prices for all their inputs but cannot increase their prices by a comparable amount

If the farmers cannot maintain the living standards they have ettained and have their heirs stay with them, there is the danger that they will not be motivated to produce beyond what they need for themselves. Their newly-acquired customs and tastes are now sufficiently deeply rooted that they could not be abandoned without much regret.

Yugoslav private farmers, who own more than four fifths of the land, are not affluent by West European standards but compared with industrial workers they do not fare badly at tha moment. Their holdings are very small.

A bousehold owns an everage of 4.69 hectares of land, only 3.13 ha of cultivated land, and 2.18 ha of ploughland and gardens. It is a wonder bow they succeed in producing some market surpluses.

Of the 2.62m private farming households in Yugoslavia, many comprise only older people who have no one to continue farming after they go. Some who are unable to till their land lease it to younger farmers who have not enough land of their own to produce on it and who possess excess machine capacity. That has been one way of circumventing the obsolete legislation putting a ceiling of 10 ha for private ownership of arable land.

Some republics have been changing that. Serbia, for example, recently allowed a ceiling of 20 ha in hilly (above 400m altitude) and mountain regions, while Slovenia did the same several years ago.

Higher output brings welcome relief

IN 1982, Croatia's Prime Minister, Ante Markovic, said that most of the weaknesses and antagonisms in Yugoslavia's development were concentrated in the republic. Now, he says, Croatia has completely turned round that relationship and greatly contributes to the stablisation of Yugoslavia as a whole.

CROATIA: A turnround in several sectors has put the republic in a much-improved position though inflation, unemployment and other problems remain.

To substantiate this claim, Mr Markovic, who before becoming prime minister of his native republic was chairman of one of Yugoslavia's electrical companies, Rade Koncar of Zagreb, recites a long list of facts and figures.

In 1982 and 1983 (years of "struggling for the bare life") industrial output was falling. There were difficult problems with external and internal liquidity. External obligations were paid for with long delays or not paid at all.

There was a sharp fall in living standards, many essential foodstuffs were in short supply, tourism was in the doldrums and inflation very high.

The turn for tha better occurred in 1984, he says when industrial output increased 6 per cent, making up for the losses in the previous two years. At the same time agricultural production reached record levels, except for maize, so that there was enough food for home consumption and even some surpluses for export.

Earnings

The tourist season was excellent, with more than 7m foreign tourists for the first time in Yugoslavia, which mainly means Croatia whose foreign exchange earnings from that source increased by 38 per cent.

In the 1982-84 period Croatia repaid $3.5bn of its foreign debt and interest. Since then all payments have been made without delay (Croatia's share in the total Yugoslav hard currency debt of some $19bn is about $3bn). It has succeeded in turning its deficit of $520m in 1981 into a surplus of $320m in 1984.

The republic's hard currency imports were covered by exports to the tune of 49 per cent in 1981 and 87 per cent in 1984.

In spite of tha improvement many problems remain. Inflation is higher than ever, and tha same is true of unemployment. Drastic cuts in budgets have left some social services with inadequate funding, and real wages have not caught up with the rising cost of living.

As to the reasons for the difficulties, Mr Markovic, presenting the 1986-90 development plan to the Central Committee of the League of Communists of Croatia in mid-May, said that the concepts of development and economic policy in the 1970s were wrong.

A total of 11 development priorities wer establisbed, entailing large investments, mainly in infrastructure and base sectors which are capital and energy-intensive. There was insufficient capital and the republic had to borrow beavily abroad. Croatia's indebtedness went up from $1.2bn at end-1975 to $3.6bn in 1981.

Domestic consumption was rising quickly and to support it imports were increasing by an annual rate of 15.7 per cent. That enabled 7.8 per cent growth rate of the social product, 8 per cent of industrial output and 4.7 per cent of employment, but also induced a lack of equilibrium.

Resources spent on social services were going up 54 per cent quicker than the social product, and real wages 28.6 per cent quicker than productivity.

It should be added that this is cheracteristic not of Croatia alone bnt typical of Yugoslavia in that period.

Ante Markovic: criticises 1970s concepts of development

Criticism of past investment policy do not mean that Croatia is against any new investments. Proof of this is a large project, possibly the province's largest at the moment, which Mr Ante Markovic opened on May 30 at Sibenik, a beautiful town in Dalmatia.

It is a complex of 14 production and ancillary facilities of the Boris Kidric Aluminium Industry, worth over $50m, half of which is in foreign exchange. The project has been carried out with British participation: Davy McKee, which has been very active in Yugoslavia for many years, supplied most of the equipment and know how.

The scheme comprises a 10,000-tonne capacity strip caster, 16,000-tonne capacity thin strip rolling mill and a 6,000 tonne capacity foil rolling mill, a converted foil plant and other plant. The project, in addition to substituting soma imports, should considerably increase the foreign exchange earning capacity of the company and of Croatia.

Strained

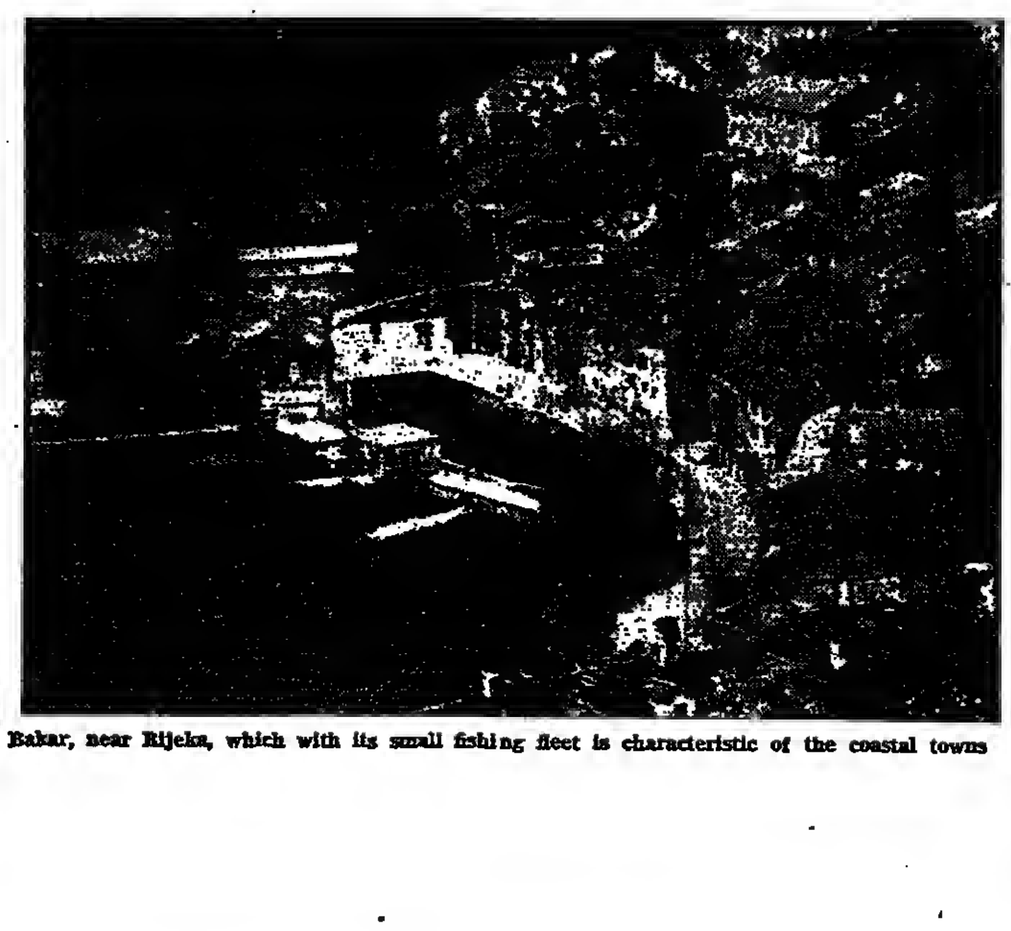
As elsewhare in the country, economic crisis in Croatia has caused or sharpened some political problems.

Relations with the Roman Catholic hierarchy have been more strained, extremist emigrant organisations, most of them having their roots in the notorious Ustashe movement, have become more active in their separatist endeavours, trying to find followers in the country.

There has been more political dissent of various shades. Dogmatists and conservatives in and outside the League of Communists have stepped up their opposition to the freer play of market forces advocated by the government and mainstream LC leadership.

However, improved economic circumstances should have a favourable effect on the political front as well.

Aleksandar Lebl



Bakar, near Rijeka, which with its small fishing fleet is characteristic of the coastal towns

Yugoslavia 6

Western visitors are setting records for Yugoslavia's holiday industry says Aleksandar Lebl

Raft excursion on the River Drina in Bosnia. Improved service to the foreign visitor, such as more excursions and a wider variety of entertainment, have helped to draw many more visitors to Yugoslavia. A record number was registered this year even before the main season started.

Tourism vital to invisible earnings

FACED WITH poor export results in the first five months of this year, the Yugoslav authorities are looking increasingly at the country's invisible earnings as the saviour of its balance of payments.

This means mainly tourism and to a lesser extent the earnings from other sources such as construction of capital plant, shipping, transit and port services, as well as remittances of Yugoslavs working abroad.

Tourist bookings from most Western countries this year are more than encouraging. Representatives of Yugoslav tourist organisations in West Germany, from where traditionally most foreign visitors have come, expect the number of guests in package tours to increase by some 20 per cent, and of individual visitors by as much as 30 per cent.

This compares with a record 1984, when there were 2.1m German visitors (including those in transit), or 11 per cent more than in the previous year.

In Yugoslavia the D-Mark will buy goods and services worth DM 1.37 at home, more than in any other European tourist country.

In Italy, in France, and in several other countries almost all the hotel beds available have been sold for the main season. The UK is a good case in point. By the second half of May, more than 90 per cent of offered package tours, or 370,000 out of 400,000, have been sold, and the same is true of individual arrangements, which make about 10 per cent of the total.

Yugotours agency sold all the places it had, and tried to borrow more from sister companies in other countries. Visitors from the UK have become the fourth-largest group after West Germany, Austria and Italy.

The year has started well with a record number of foreign visitors registered even before the main season. In Montenegro, there were more tourists in May than at the peak last year. Here again British tourists are among the best guests, coming in May-June or September-October as well, and not only in July-August.

A lot has been done to satisfy foreign visitors. Service has been improved, more excursions organised, a wider variety of entertainment offered, and personnel have been told to smile—a commodity which used to be rare in Yugoslavia in the opinion of many visitors.

High quality

Shops are well supplied with everyday consumer goods though, the problem of offering foreigners higher quality goods to take home has not yet been resolved. Although selling to tourists brings the country more foreign exchange than exporting the same goods, manufacturers prefer exporting at much lower prices as they may retain part of the proceeds in scarce foreign exchange.

Also, Yugoslav customs and other regulations do not facilitate the shipping abroad of goods purchased by tourists. All that has to be sorted out, and soon, if ambitions to earn more from tourism are to materialise.

Expectations are ambitious under the 15-year plan, to the year 2000, which is under discussion. The projection is that the number of nights spent by foreign visitors will rise to 61m by 1990, 80m in 1995 and 102m in 2000, with earnings going up steadily from \$2.15bn to \$4.42bn in the same period.

While some consider the plan to be unrealistic, others claim that it is not ambitious enough.

In addition to other measures which should help the plan to be realised, Yugoslavia intends to encourage foreign investment in the form of joint ventures. This year, out of 10 joint ventures approved, five have been in tourism.

There is also the idea of selling long-term leases for apartments in tourist resorts. The lessees would use them at their convenience and could let the apartments through Yugoslav agencies when they do not need them.

● Another big foreign exchange earner has been the construction industry, which has been engaging in investment works abroad for many years. In recent years, however, it has encountered stiff competition from such countries as South Korea, in addition to the developed countries.

It is increasingly difficult to win tenders, especially since Yugoslav contractors cannot offer the same credit terms as most others. A Yugoslav company, SCT of Ljubljana, was part of a consortium bidding for the Bosphorus bridge in Turkey and losing to the Japanese.

Yugoslav contractors have complained that official statistics underestimate their contribution to the foreign exchange inflow, registering only net profits as such. They have been claiming that actual inflow through their work has been some 40 per cent of the value of investment works performed.

Equipment

The figures for 1984, according to the contractors, are as follows: the value of contracted projects was \$2.46bn; value of work done \$1.98bn. Of this, some \$800m entered the country in the form of equipment purchased at home, in remittances by their workers, and in profit.

The largest Yugoslav contractor, Energoprojekt of Belgrade, boasts of an even higher percentage. Of the \$258m contracted and \$199m realised in 1984, some 45-50 per cent entered Yugoslavia.

● Transport, including shipping, transit and port services, earns much less foreign exchange than the geographical position of Yugoslavia warrants. The main reason is again the shortage of foreign exchange for the construction and modernisation of highways and railways, ports and other infrastructure, and for the purchase of ships either from Yugoslavia or foreign shipyards.

Hopes are fading that the European Community would contribute much towards the improvement of transport infrastructure in Yugoslavia, although that would seem to be in the Community's interest.

● Lastly, remittances of Yugoslav workers abroad remain an important source of foreign exchange. They have been declining as a result of the declining number of guestworkers but remittances of hard currency still exceed withdrawals. In 1984, private individuals remitted \$3.45bn to Yugoslavia, while they withdrew \$1.69m from their bank accounts, leaving a surplus of \$1.75bn. In the first three months of this year \$700m was remitted and \$360m withdrawn.

The surplus could be much bigger if there were not a "credibility gap" between the government and private foreign exchange earners abroad, who keep an estimated \$5-10bn in foreign banks. They fear that sooner or later private foreign exchange accounts with Yugoslav banks will be abolished and their savings converted into dinars, or that they will be heavily taxed and the like.

As of last year, the government ordered interest on those accounts to be paid in dinars to residents, which most guestworkers will become upon their return.

Various public complaints that owners of foreign exchange accounts (and for that matter dinar savings accounts as well) get rich without work do not help to attract savings. These still earn negative interest rates if denominated in dinars, and a modest real interest if denominated in foreign currency. There appears little the government could do to create a climate of confidence in this respect.

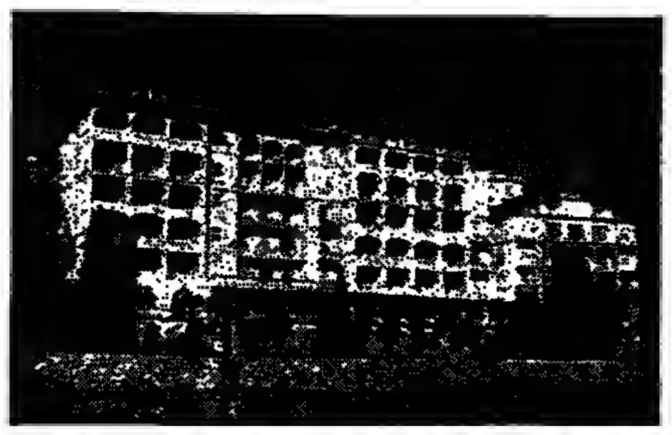
Opatija—grand resort of empire

OPATIJA, or Abbazia in Italian, is called the old lady of Yugoslav tourism. Indeed, the resort can look back on 140 years of tradition in that field, as it started receiving visitors—members of the Austro-Hungarian aristocracy—in 1884.

Situated at the northern end of the Adriatic, but sheltered from the sea by the islands of Cres and Krk, Opatija was then a fishermen's village at the foot of the Ucka mountain.

It began as a winter resort rather than the summer resort it is primarily today. The mild and healthy climate and relative closeness to Vienna played a decisive part.

Soon, it became fashionable for the "creme" of the dual monarchy society to go there. Many built their villas in Opatija itself or the nearby villages of Volosko, Lovrain and Moscenica. Opulent hotels were put up, some of which, thoroughly modernised now, have been there for more than a century. They do not build them like that any more as the cost would be prohibitive.



Echo of the past. One of Opatija's opulent hotels dating from the period when royalty stayed there. Nowadays Opatija is a relaxing summer resort with a steadily increasing number of visitors

Even today Opatija is visited by more people before and after the main season than perhaps any other Yugoslav resort, mainly because of its quietness and climate.

Once in Opatija, tourists should not miss the opportunity to go for a check-up at the Thalassotherapia health institute. For a relatively small amount and in just a *few hours* they will be thoroughly examined and receive their bill of health, clean if they are lucky, and recommendations for future activities.

One can stroll beside the sea for miles, enjoy visiting old churches and villages, go on excursions to the islands or to nearby Slovenia.

Not far away is the Lipica stud farm, itself more than 400 years old, the Postojna caves, Europe's largest, and the Plitvice lakes. Venice and Trieste, in Italy, are easily reached.

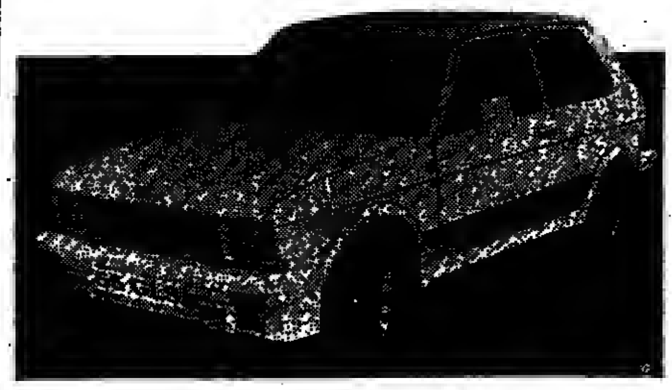
Last year the Opatija riviera was visited by more than 257,000 foreign tourists, who spent 1,642,500 nights there. While both the number of visitors and of nights spent has been slowly but steadily increasing, so far as visitors from the UK are concerned there has been a steep rise.

In 1981 British visitors numbered 15,500 and were the sixth largest group (after the West Germans, Austrians, Italians, Dutch and Hungarians). By 1984 the number reached 29,420, so that they ranked fourth.

But they stayed longer on average than most other tourists. In 1981, British visitors spent 115,800 nights, or an average of 7.5, compared to 6.8 for all foreign visitors. In 1984 they spent 243,700 nights (an average 8.3, compared to 6.4).

By the nights spent they were the second largest group in 1984, with a share of 14.8 per cent, compared with 7.5 per cent in 1981. The share of the first, West Germans, dropped in that period from 42.1 to 31.2 per cent.

Aleksandar Lebl



The Yugo 55. The car has some modifications for the U.S. market.

Cars for U.S. a national boost

THE FIRST Yugo 55 cars to be exported to the U.S. left the Kragujevac plant of the manufacturer Crvena Zastava on June 2. A special train took 252 of them to the southern port of Bar, from where the first ship with some 1,500 cars was due to leave between June 10 and 15.

Not only the workers and managers of the producing company but also the Yugoslav government and many others are touching wood for the success of this biggest-ever Yugoslav venture abroad. If all goes as planned, it should earn the country prestige and badly-needed hard currency.

A total of 10,000 Yugo 55 cars are expected to be sold in the U.S. this year. By end-July 1986 that figure should be 40,000; by July 1987 it should go up to 70,000, eventually reaching a plateau of 150,000 after 1989.

Cleared

In the second half of May word came from the U.S. that Yugo 55, or rather the version altered and improved to meet American standards, had passed all its tests and that all obstacles were cleared for its import.

The Yugo will be selling in the U.S. for \$3,990. Crvena Zastava will receive about one-third less.

Its representatives say that they are well aware of the need to pay a price for penetrating that most difficult market. In other words, they do not expect any profit initially and will be satisfied if they break even. Their profit at first will come in the form of improving performance, learning more about modern organisation and marketing methods and gaining prestige.

If they succeed in that, they are confident that dividends will be reaped in the years to come. Yugo-America, the partner in the U.S. obviously shares that optimism.

Many automobile industry experts abroad have shrugged their shoulders and pointed to the failure of a number of European giants to win a share of the U.S. market losing money there. But if the sceptics are proved wrong Crvena Zastava will have to invest large amounts of capital in modernising and expanding its production facilities. Yugo-America will contribute and part will have to be borrowed on the international capital markets at commercial rates.

Yugo 55's success depends not only on Crvena Zastava but on the Yugoslav industrial sector as a whole. It entails a radical change in the organisation quality control and pricing mechanism in hundreds of sub-suppliers within the country.

Small wonder, therefore, that the car's export to the U.S. has become of national importance for Yugoslavia and that the federal government has been monitoring developments ready to help as much as possible.

A. L.